

# MASON CITY POLICE DEPARTMENT

## CITY OF MASON CITY, IOWA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CITY OF MASON CITY, IOWA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2016

- Prepared By -

The Department of Finance  
Kevin Jacobson, Director

# **INTRODUCTORY SECTION**

**CITY OF MASON CITY, IOWA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2016**

**T A B L E   O F   C O N T E N T S**

	<u><b>Page</b></u>
<b><u>INTRODUCTORY SECTION</u></b>	
Table of Contents . . . . .	i-iii
City Officials . . . . .	iv
Organizational Chart . . . . .	v
Transmittal Letter . . . . .	vi-xiii
Certificate of Achievement . . . . .	xiv

		<u><b>Exhibit</b></u>
<b><u>FINANCIAL SECTION</u></b>		
Independent Auditor's Report . . . . .		1-3
Management's Discussion and Analysis . . . . .		4-13
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position . . . . .	1	14-15
Statement of Activities . . . . .	2	16-17
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet . . . . .	3	18-20
Statement of Revenues, Expenditures and Changes in Fund Balances . . . . .	4	21-23
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual . . . . .	5	24-25
Road Use Tax Fund - Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual . . . . .	6	26-27
Proprietary Funds:		
Statement of Net Position . . . . .	7	28-31
Statement of Revenues, Expenses and Changes in Net Position . . . . .	8	32-33
Statement of Cash Flows . . . . .	9	34-37
Fiduciary Funds:		
Statement of Net Position . . . . .	10	38
Statement of Changes in Fiduciary Net Position . . . . .	11	39
Notes to Financial Statements . . . . .		40-75

		<u><b>Schedule</b></u>
Required Supplementary Information:		
Other Post Employment Benefit Plan Schedule of Funding Progress	1	76
Schedule of the City's Proportionate Share of the Net Pension Liabilities - IPERS. . . . .	2	77
Schedule of City Contributions - IPERS. . . . .	3	78-79
Notes to Required Supplementary Information - Pension Liability - IPERS. . . . .		80-81
Schedule of the City's Proportionate Share of the Net Pension Liabilities - MFPRSI . . . . .	4	82
Schedule of City Contributions - MFPRSI . . . . .	5	83-84
Notes to Required Supplementary Information - Pension Liability - MFPRSI . . . . .		85

**Schedule**

Supplementary Information:

Nonmajor Governmental Funds:

Combining Balance Sheet . . . . .	1	86-89
Combining Statement of Revenues, Expenditures and Changes in Fund Balance . . . . .	2	90-93

Schedule of Revenues, Expenditures and Changes in Fund

Balance - Budget to Actual:

Special Revenue Funds:

FMA Voluntary Acquisition . . . . .	3	94
Unified TIF . . . . .	4	95
Hotel/Motel Tax . . . . .	5	96
Police Retirement . . . . .	6	97
Fire Retirement . . . . .	7	98
Employee Retirement . . . . .	8	99
Library Trust . . . . .	9	100
22 <sup>nd</sup> Street Buyout . . . . .	10	101
Softball Improvement Trust . . . . .	11	102
Youth Softball Complex Trust . . . . .	12	103
City Administered Grants. . . . .	13	104
Housing . . . . .	14	105
LHAP . . . . .	15	106
HMGP Voluntary Acquisition. . . . .	16	107

Debt Service Fund . . . . .	17	108
-----------------------------	----	-----

Capital Projects Fund:

Local Option Capital Improvement . . . . .	18	109
River City Renaissance Fund . . . . .	19	110

Permanent Fund:

MacNider Museum Trust . . . . .	20	111
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Nonmajor Enterprise Funds:

Combining Statement of Net Position . . . . .	21	112-115
Combining Statement of Revenues, Expenses and Changes in Net Position . . . . .	22	116-117
Combining Statement of Cash Flows . . . . .	23	118-121

Internal Service Funds:

Combining Statement of Net Position . . . . .	24	122
Combining Statement of Revenues, Expenses and Changes in Net Position . . . . .	25	123
Combining Statement of Cash Flows . . . . .	26	124-125

Capital Assets Used in the Operation of Governmental Funds:

Schedule by Source . . . . .	27	126
Schedule by Function and Activity . . . . .	28	127-128
Schedule of Changes by Function and Activity . . . . .	29	129-130

## **STATISTICAL SECTION**

Statistical Section . . . . .		131
Net Position by Component . . . . .	1	132-133
Change in Net Position. . . . .	2	134-137
Fund Balances - Governmental Funds . . . . .	3	138-139
Change in Fund Balance - Governmental Funds . . . . .	4	140-141
General Governmental Tax Revenues by Source . . . . .	5	142
Assessed and Actual Value of Taxable Property . . . . .	6	143-144
Property Tax Rates - Direct and Overlapping Governments . . . . .	7	145-146
Principal Property Tax Payers . . . . .	8	147-148
Property Tax Levies and Collections . . . . .	9	149-150
Ratio of Outstanding Debt by Type . . . . .	10	151-152
Ratio of Net General Obligation Bonded Debt to Assessed Value and Per Capita . . . . .	11	153
Direct and Overlapping Governmental Activities Debt . . . . .	12	154
Legal Debt Margin Information . . . . .	13	155-156
Pledged Revenue Coverage - Sewer . . . . .	14	157
Pledged Revenue Coverage - Water . . . . .	15	158
Demographic Statistics . . . . .	16	159
Principal Employers . . . . .	17	160-161
Full-Time Equivalent City Employees by Function . . . . .	18	162-163
Operating Indicators by Function/Program . . . . .	19	164-165
Capital Asset Statistics by Function/Program . . . . .	20	166-167

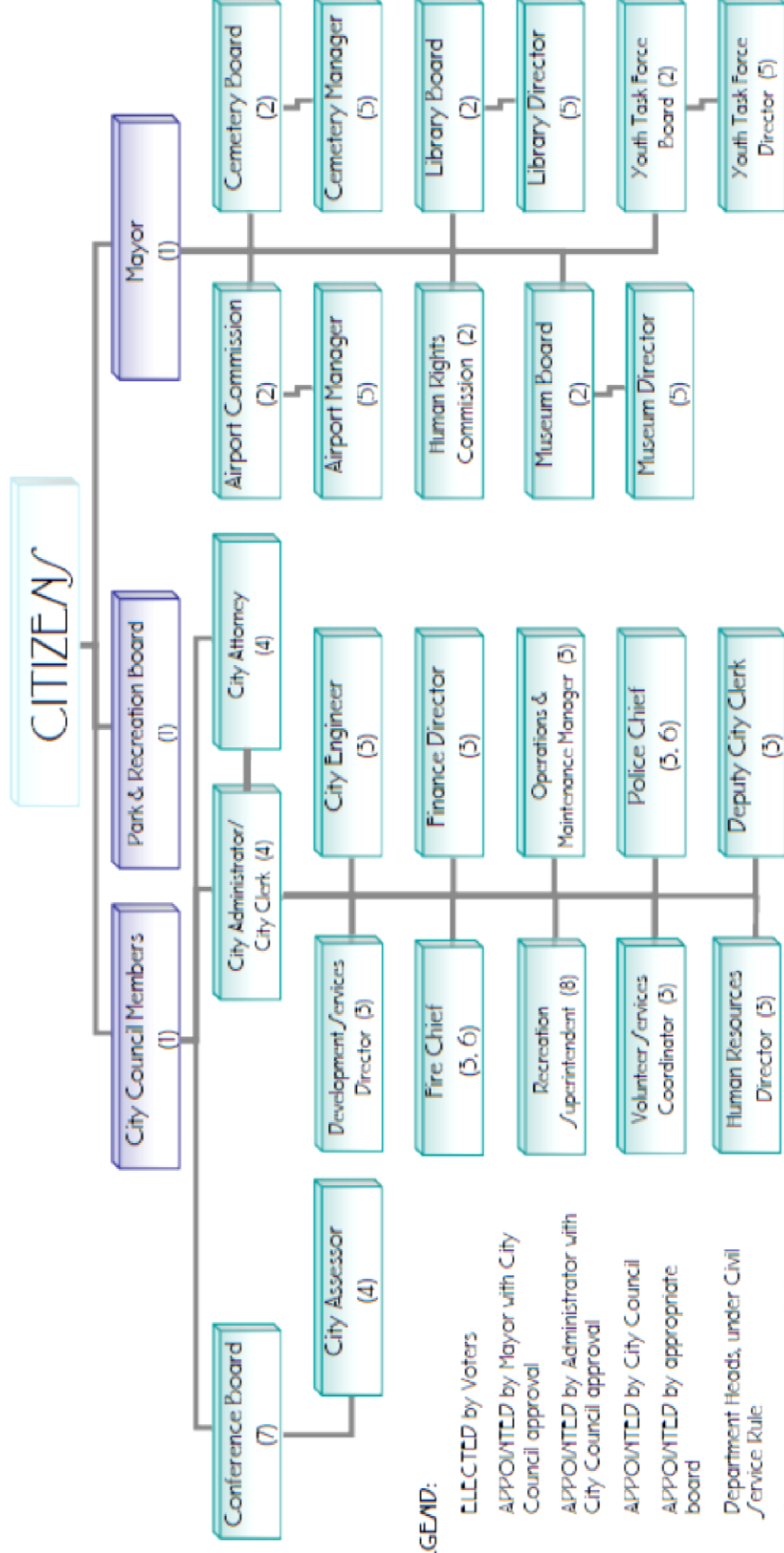
## **COMPLIANCE SECTION**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> . . . . .		168-169
Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance. . . . .		170-171
Schedule of Expenditures of Federal Awards . . . . .		172-175
Schedule of Selected Expenditures of State Awards . . . . .		176
Notes to Schedule of Expenditures of Federal Awards . . . . .		177
Schedule of Findings and Questioned Costs . . . . .		178-184
Corrective Action Plan for Federal Audit Findings . . . . .		185
Summary Schedule of Prior Audit Findings . . . . .		186

**CITY OF MASON CITY, IOWA  
CITY OFFICIALS  
YEAR ENDED JUNE 30, 2016**

<u><b>Name</b></u>	<u><b>Title</b></u>	<u><b>Term Expires</b></u>
Eric Bookmeyer	Mayor	2017
Travis Hickey	Mayor Pro-Tem	2017
Alex Kuhn	Council Member (through 7/15/16)	2019
Bill Schickel	Council Member (effective 8/4/15)	2017
Paul Adams	Council Member (effective 12/6/16)	2019
John Lee	Council Member	2019
Janet Solberg	Council Member	2017
Brett Schoneman	Council Member	2019
 Brent Trout	 City Administrator/Clerk	 2016
Diana Black	Deputy City Clerk	2016
Kevin Jacobson	Director of Finance/Treasurer	2016
Randy Nielsen	City Attorney, Civil Law	2016
Pam Osgood	Airport Manager	2016
Edith Blanchard	MacNider Museum Director	2016
Dana Nauman	City Assessor	2016
Russ Kramer	Band Director	2016
Randy Opheim	Elmwood Cemetery Manager	2016
Steven Van Steenhuyse	Development Services Director	2016
Robert Platts	Fire Chief (through 6/30/16)	2016
Douglas D. Janssen (Interim)	Fire Chief	2016
Al Dyer Jr.	Fire Chief (as of 10/24/16)	2016
Perry Buffington	Human Resources Manager	2016
Mary Markwalter	Library Director	2016
William Stangler	Operations and Maintenance Manager	2016
William Stangler	Parks Superintendent	2016
Michael Lashbrook	Police Chief (through 12/31/15)	2016
Jeffrey Brinkley	Police Chief (effective 1/1/16)	2016
Mark Rahm	City Engineer	2016
Brian Pauley	Recreation Superintendent	2016

# City of Mason City







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Mason City, IA 50401-3224  
(641) 421-3600  
[www.masoncity.net](http://www.masoncity.net)

January 23, 2017

The Honorable Mayor and  
Members of the City Council  
City of Mason City, Iowa

The Comprehensive Annual Financial Report of the City of Mason City, Iowa for the fiscal year ended June 30, 2016 (FY16) is submitted herewith in accordance with the provisions of Section 384.22 of the Code of Iowa, 1995, as amended, the recommendations of the Government Finance Officers Association and in conformity with accounting principles generally accepted in the United States of America.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and compliance. The introductory section includes a table of contents, a list of City Officials, the organizational chart, this transmittal letter, and a copy of the Certificate of Achievement for Excellence in Financial Reporting earned for the fiscal year ended June 30, 2015. The financial section includes management's discussion and analysis, the basic financial statements, and nonmajor funds and other schedules for the fiscal year ended June 30, 2016, as well as the independent auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The compliance section encompasses requirements related to the single audit, various federal and state grants, and statutory and regulatory compliance.

This report was prepared by the City's Department of Finance. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

GAAP require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Mason City's MD&A can be found immediately following the report of the independent auditors.

#### **GOVERNMENTAL STRUCTURE**

The City of Mason City operates under the Mayor/Council form of government with six City Council members, four of which are elected from wards and two elected at large. The Mayor is elected at large for a four-year term. The City Council is elected to four-year terms. Three Council seats are up for election every two years. The City Administrator reports to the City Council. Ten departments are under the direction of the City Administrator. The City Attorney is a contracted position under the direction of the City Administrator. Six departments are under the direction of a board or commission. The Mayor and Council appoint members of the Airport, Human Rights Commission, and Youth Task Force Commissions and the Library, Cemetery and Museum Boards.

Departments include City Clerk, Development Services, Engineering, Finance, Fire, Human Resources, Operations and Maintenance, Parks, Recreation, Police and Volunteer Services. The Neighborhood Services Division oversees Transit, Health, Inspections and Animal Control services. The City owns the Mason City Public Library, the Highland Park Golf Course and the Mason City Municipal Airport.

## **ECONOMIC CONDITION AND OUTLOOK**

The City's Development Services Department continues its planning and economic development efforts to spur development and redevelopment in the community in accordance with the City's Comprehensive Plan and City Council goals. Development activities are focused on both downtown and the community's industrial parks. The buyout and demolition efforts related to the June 8, 2008 flood event in the community are essentially complete, including a small buyout of nine homes in the southeast portion of the city. A Buyout Administrator coordinates this effort. A total of 169 houses were purchased and either demolished or moved due to the 2008 flood; the land will become permanent public open space. Fortunately, the business and industrial areas of the community suffered limited flood losses. Four historic houses, including the 1938 Egloff House, have been moved out of the floodplain to new foundations on the 300 Block of East State Street. This effort continues to spur revitalization of the neighborhood lying between Frank Lloyd Wright's Historic Park Inn Hotel and his Stockman House (now a historic museum).

The City continues to work with the North Iowa Corridor Economic Development Corporation (NICEDC), to promote and facilitate job creation and capital investment in the Mason City area. The NICEDC is a county-wide economic development corporation that has merged the assets and efforts of Mason City, Clear Lake and Cerro Gordo County to market the entire county, assist local industries and attract new capital investment and jobs.

NICEDC is partially funded by Mason City to serve as the City's economic development marketing and recruitment arm. They provide information and support to prospective employers, maintain a database of available buildings and sites within the region and partner with numerous local, regional, state and national organizations to market and recruit business to North Iowa. Key industries targeted by NICEDC are warehousing, value-added agriculture, food processing and advanced manufacturing.

Accomplishments for the past fiscal year include:

- Conducted a direct-mail campaign in June 2016 to 390+ contacts (site consultants, real estate and economic development partners) highlighting Mason City's Indianhead South certified shovel-ready site.
- Workforce initiatives: working in collaboration with local schools and North Iowa Area Community College to further post-high school degree attainment, engage our youth in the local business culture to encourage staying in the area post high school, and grow our curricula to meet current and future workforce needs.
- Corridor Existing Business Retention and Expansion (BRE) Program. Staff make weekly contact with businesses and each year conduct on-site interviews with local leaders of nearly 30 program-targeted companies to gather much more comprehensive data and intelligence on business challenges and opportunities with each company. This information is used to identify common areas of concern as well, which are presented to the governing bodies and used to make adjustments to find solutions to issues.

- Data collected for NorthIowaCorridor.com shows an average of 500 visits per month to the site. Seventy-five percent of those visits are unique each month, meaning they've never landed on our site before. Visitors are averaging over one minute of interaction with the site with the heaviest traffic being captured on the 'About' pages, 'Leading Employers' pages, and 'Regional Maps' pages, including Buildings and Sites. Traffic rates and visit patterns are monitored, supported, and promoted to ensure the Corridor's marketing message is communicated and received by our core audiences: Site Selectors, Corridor Investors & Stakeholders, and the Community.
- Promoted industrial park initiatives along the Avenue of the Saints and the I-35 corridor.
- Promoted and marketed a number of industrial sites in Mason City's South Industrial Park and other areas of the city, as well as a number of industrial and commercial buildings.
- Hosted Iowa Economic Development Authority and/or commercial real estate-generated prospect visits to buildings and sites in the community, with the City offering public financial incentive packages in some instances.
- Continued as lead organization of the seven-county North Central Iowa Alliance regional marketing group, which markets the entire North Central Iowa region as a location to create jobs and wealth. Increased efforts to grow and retain the region's workforce with refreshed marketing material and website.
- Continued partnerships with small business development organizations, including the John Pappajohn Entrepreneurial Center and the Small Business Development Center to ensure better information sharing and flow.

Mason City, with its transportation network of interstate, four-lane highways, airport and rail service, a regional workforce, low property tax rates, excellent education system and community college, top notch hospital and health care, regional retail center, regional cultural and recreational amenities and the willingness to use public financial incentives to assist quality job retention and creation, remains a competitive force for economic development in North Central Iowa.

#### **EXPANDED AND NEW INDUSTRIES 7/1/15 - 6/30/16**

The valuation of expanded industrial development totaled approximately \$1,824,738 while new or expanded commercial and industrial development together totaled \$31,326,467 (these figures are based on construction value used to calculate permit fees). Golden Grain Energy invested \$10 million in a cogeneration facility that will benefit Golden Grain and may also provide an energy source for a future adjacent industry.

Major commercial development projects include the \$5,473,600 Alliant Energy Operations Center and the TJ Maxx retail store (valued at \$1,987,858). Major developments in the institutional sector include the patient room updates at Mercy - North Iowa Medical Center (valued at \$5,300,000).

Other commercial and industrial ventures commenced or were completed in FY16, including a new Hampton Inn and Suites Hotel; an accompanying outlot building accommodating two new restaurants and a new commercial strip near the North Iowa Events Center containing three storefronts (which will include a drive-through Starbucks store). A new TJ Maxx retail store also opened on the west side of the city. Recent industrial projects include a new cogeneration facility at Golden Grain Biofuels and a new service center for Alliant Energy (consolidating operations from several locations to a central campus). The Region 2 office of the Iowa Department of Transportation also consolidated their sites at a new service center in the South Industrial Park.

## **DOWNTOWN**

The City has continued to work with Main Street Mason City (MSMC) to stabilize and enhance the downtown area. The Federal Avenue Streetscape project, completed in 2012, continues to serve as a catalyst for downtown redevelopment. In 2014, the Downtown Façade Rehabilitation Program was completed, with several facades completed by the end of the year. This program, funded with a \$500,000 CDBG grant, was used to rehabilitate 11 historic facades in the downtown area and has leveraged an additional \$5,000,000 in private funding from local banks for downtown development. As a part of the CDBG grant, MSMC also assists the City in management of a \$150,000 low-interest revolving loan fund for building improvements in the downtown TIF district.

The MSMC organization and its many volunteers provide a program that includes economic development, organizational development, promotions/events/marketing and design (appearance) improvements in the downtown. The metrics typically provided by the Main Street organization are unavailable for FY16, primarily due to the resignation of the last Executive Director and instability on the Main Street Mason City Board of Directors. However, in late 2016, the Board was restructured and a new Executive Director was hired. In spite of this, the organization continued to operate and provide several successful events, such as four Friday Night Live summer concert series and the Great River City Festival, as well as co-sponsoring several others. The organization maintains its recognition as a National Main Street Community and is working with Main Street Iowa to promote Downtown Mason City as a premier place to do business and be entertained.

## **HOUSING**

Housing construction for FY16 included 14 single-family dwellings, and 3 twin homes (6 units), for a total of 20 new housing units. The number of single family dwelling units built is slightly higher than that of previous years. Eleven (11) single-family dwellings were demolished. After comparing the number of housing units built by the number demolished, the net gain for housing in FY16 totals 9 dwelling units for the community.

One major housing project for seniors got their start in FY16. Good Shepherd Care Center is constructing a 32-unit independent living facility across the street from their managed care center.

## **TRAFFIC**

In 2016, the Mason City Engineering Department completed the inspection and accepted the following transportation improvement projects within the City of Mason City. The purpose of these projects is to expand the existing network to accommodate the increase in vehicular and pedestrian traffic.

The Fairways 6th Subdivision project included a new 31' wide Portland Cement Concrete (PCC) street and cul-de-sac. The total length of the new street, Ping Court, was 160'.

Asbury 9th Subdivision project included new 31' wide PCC street extensions and the completion of a cul-de-sac. The total length of the new street and cul-de-sac, Hemlock Court, was 200'. The project also included a 300' extension of Sumac and the first 120' of paving of a future cul-de-sac, Cypress Court. Also completed were storm sewer improvements and the installation of pedestrian sidewalk ramps at the intersection of Sumac and Hemlock Court.

## FINANCIAL INFORMATION

For financial reporting purposes, in conformance with Governmental Accounting Standards Board (GASB) Statement No. 14 The Financial Reporting Entity, the City includes all funds, organizations, agencies, boards, commissions, and authorities that are financially accountable to the City.

Single Audit: As a recipient of federal, state and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2016 provided instances of material weakness in the internal control structure.

Internal Controls: To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

Budgetary Controls: In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of all funds are included in the annual appropriated budget. The legal level of control for budgetary purposes for all funds as set by Iowa law is at the program level.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management. As with the financial section, all amounts presented in the remainder of this letter are expressed in whole dollars.

General Governmental Functions: The following schedule presents a summary of general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2016.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>
Taxes	\$13,448,843	59.44%
Licenses and Permits	594,415	2.63
Intergovernmental	6,025,276	26.63
Service Revenues	888,534	3.93
Fines and Forfeitures	74,775	0.33
Use of Monies and Properties	976,411	4.32
Special Assessments	17,561	0.07
Miscellaneous	572,504	2.53
Refunds	27,189	0.12
Total	<u>\$22,625,508</u>	<u>100.00%</u>

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2016.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>
Public Safety	\$10,309,925	31.24%
Public Works	3,429,410	10.39
Health and Social Services	398,199	1.21
Culture and Recreation	3,222,303	9.76
Community & Economic Development	2,825,572	8.56
General Government	2,438,650	7.39
Capital Projects	6,355,203	19.26
Debt Service	4,021,042	12.19
Total	<u>\$33,000,304</u>	<u>100.00%</u>

#### **GENERAL FUND BALANCE**

The General Fund closed the FY16 with a fund balance of \$6,859,833 compared to \$6,966,813 on June 30, 2015. This was due to a \$106,980 increase of expenditures over revenues for FY15.

#### **ENTERPRISE FUNDS**

The Enterprise Funds of the City include the following:

1. Cemetery Fund - Operating revenues were \$94,701 in FY16, a decrease of 15.4% from FY15. Operating expenses were \$339,148 in FY16, an increase of 6.1% from FY15. Net income was \$1,238 in FY16, an 97.8% decrease from FY15.
2. Waterworks Fund - Operating revenues were \$5,813,383 in FY16, an increase of 2.5% from FY15. Operating expenses were \$4,775,672 in FY16, an increase of 4.6% from FY15. Net income was \$861,969 in FY16, a 7.0% increase from FY15.
3. Sewer Rental Fund - Operating revenues were \$4,295,594 in FY16, an increase of 0.8% from FY15. Operating expenses were \$3,305,717 in FY16, an increase of 0.5% from FY15. Net income was \$782,680 in FY16, a 26.0% increase from FY15.
4. Parking Lots Fund - Operating revenues were \$56,929 in FY16, an increase of 30.3% from FY15. Operating expenses were \$129,280 in FY16, an increase of 4.0% from FY15. Net income was \$(45,004) in FY16, a 2.7% increase from FY15.
5. Storm Sewer Fund - Operating revenues were \$289,936 in FY16, a decrease of 0.4% from FY15. Operating expenses were \$189,773 in FY16, an increase of 13.7% from FY15. Net income was \$397,216 in FY16, a 215.5% increase from FY15.
6. Solid Waste Fund - Operating revenues were \$1,387,841 in FY16, an increase of 3.5% from FY15. Operating expenses were \$1,268,601 in FY16, a decrease of 8.9% from FY15. Net income was \$120,752 in FY16, a 346.4% increase from FY15.
7. Golf Course Fund - Operating revenues were \$363,652 in FY16, a decrease of 3.8% from FY15. Operating expenses were \$456,506 in FY16, an increase of 4.2% from FY15. Net income was \$9,638 in FY16, an 88.4% decrease from FY15.
8. Ambulance Fund - Operating revenues were \$1,841,726 in FY16, a decrease of 6.7% from FY15. Operating expenses were \$1,855,024 in FY16, an increase of 11.0% from FY15. Net income was \$9,770 in FY16, a 97.0% decrease from FY15.

#### **INTERNAL SERVICE FUNDS**

The Central Services Internal Service Fund is used to account for the costs of the centralized service operations, and the Employee Health Care Fund is used to account for the payment of health insurance costs and the reimbursement of employee's portion of costs.

## **FIDUCIARY FUNDS**

Fiduciary Funds are established to account for assets held by the governmental units in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

## **DEBT ADMINISTRATION**

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, and investors. The following shows this information as of June 30, 2016:

		RATIOS	
		Debt to	Debt per
	Amount	Assessed Value	Capita
Net Bonded Debt	\$24,263,580	2.18%	\$886.63

The City issued \$1,335,000 of General Obligation bonds during the year to fund various public works, parks and utility-related projects.

## **FINANCIAL POLICIES AND LONG-TERM FINANCIAL PLANNING**

The City Council has adopted budget and fiscal policies. For the City's General Fund, the fund balance policy strives to maintain an unassigned general fund balance no less than \$5,000,000. These funds are necessary to meet cash flow needs during the initial months of the new fiscal year as property tax revenue, the primary source of funding for general operations, is collected semi-annually with the vast majority of those taxes remitted to the City in the months of October and April. Fund balance policies are also set for Road Use Tax, Local Option Sales & Service Tax (LOST), Water, Sewer and Sanitation. During FY 2016, the City met all fund balance policies.

As a guideline for the budget process the City uses the established financial and budget policies which are reviewed and adopted annually by the City Council in connection with the budget process. Some of the goals of the financial policies include preserving capital through prudent budgeting and financial management, achieving a stable balance between the City's ongoing financial commitments and the continuing revenues available to the City, and to leverage local dollars with Federal and State funding grants. These financial policies ensure the City has appropriately recorded and accounted for transactions in our financial statements.

The City's adopted financial and budget policies generally provide for the City to use unrestricted cash reserves, not to exceed 5% of the projected year-end level, to keep the tax levy rate from increasing in the next fiscal year. Reserve use greater than 5% will need City Council approval. For fiscal year 2016, the City used approximately \$209,000 of General Fund reserves to maintain the General Fund levy.

The City Council annually adopts a five-year Capital Improvement Plan. The plan identifies capital projects associated with the various departments throughout the City. It also shows the funding source for each of the projects. Major funding sources for capital projects include new debt, LOST, Road Use Tax and proprietary revenues.

The City Council approves the Debt Service policy during the budget process. The policy establishes the following measures in regard to the issuance of debt. First, the City prefers to limit the amount of general obligation debt payment to 25% of the total general operating budget. Second, debt maturities shall be for the shortest time possible under the circumstances, and in no situation will debt maturities exceed the useful life of the asset being acquired or constructed.

Third, the debt service property tax rate will be maintained between \$2.00 to \$3.00 per \$1,000 of valuation. Voter approved debt is removed from this calculation. Finally, the City's debt shall be rated by Moody's Investor Services and the City shall maintain its current "Aa2" rating.

The City Council also adopted Debt Service, Investment and Fund Transfer policies.

#### **OTHER INFORMATION**

**Independent Audit:** The Code of Iowa requires an annual audit be made of the financial condition and transactions of all administrative departments of the City by the State Auditor or by a Certified Public Accountant selected by the City Council. The audit for FY16 was made by Kronlage & Olson, P.C., Certified Public Accountants. Their opinion has been included in this report.

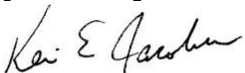
**Awards:** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mason City, Iowa, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the thirtieth consecutive year that the government has achieved this prestigious award. The City of Mason City was one of only approximately 20 Iowa cities to receive the award for this fiscal year.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

**Acknowledgments:** Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of the entire staff of the Department of Finance and the various department heads and employees who assisted and contributed to its preparation. We wish to thank each one of you for your interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Kevin E. Jacobson  
Director of Finance





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
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Reporting**

Presented to

**City of Mason City  
Iowa**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

**FINANCIAL  
SECTION**



Kronlage & Olson, P.C.

Certified Public Accountants

Douglas E. Kronlage, CPA  
John C. Olson, CPA

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council  
City of Mason City, Iowa

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mason City, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mason City Housing Authority, which represents the entire assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Mason City Housing Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Mason City, Iowa, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Road Use Tax Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 4 through 13 and pages 76 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mason City, Iowa basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, capital asset schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The budgetary comparison statements, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the budgetary comparison statements, combining and individual nonmajor fund financial statements, capital asset schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017, on our consideration of the City of Mason City, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mason City, Iowa's internal control over financial reporting and compliance.

*Kronlage & Olson, P.C.*

Charles City, Iowa

January 23, 2017

## **City of Mason City, Iowa Management's Discussion and Analysis**

As management of the City of Mason City, we offer the readers of the City of Mason City's financial statements this narrative overview and analysis of the financial activities of the City of Mason City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vi-xiii of this report. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of Mason City exceeded its liabilities at the close of June 30, 2016 by \$154.16 million (net position). Of this amount, \$10.64 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,148,383.
- At the close of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$20.20 million, a decrease of \$1.13 million as compared to the prior fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4.48 million, or 23.9% of the total general fund expenditures.
- Total debt decreased by approximately \$4,684,000 (10.25%) during the current fiscal year. The City issued approximately \$1,335,000 of new bonds and retired approximately \$6.02 million of existing bonds.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City of Mason City's basic financial statements. The City of Mason City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### ***Government-wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the City of Mason City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Mason City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Mason City is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Mason City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Mason City include general government, police and fire protection, parks and recreation oriented activities, library services, museum services, airport, and street operations and maintenance. The business-type activities of the City include the water and wastewater treatment facilities, cemetery services, storm sewer system, solid waste collection, ambulance service, parking lots and the golf course. The City's two component units, the Museum Foundation and the Mason City Housing Authority are included. Financial information for the foundation is included with governmental special revenue funds, while the housing authority is shown separately as a component unit.

The government-wide financial statements can be found on pages 14-17 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mason City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Mason City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Mason City maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Use Tax Fund and Debt Service Fund, which are considered as major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Mason City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for all of these funds to demonstrate compliance with the approved budget.

The basic governmental fund financial statements can be found on pages 18-27 of this report.

### ***Proprietary Funds***

The City of Mason City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sanitary Sewer funds. All other business type funds are combined into one non-major business type fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Mason City uses internal service funds to account for its maintenance functions and employee health care trust. Because these services predominately benefit governmental rather than business type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Treatment and Sanitary Sewer as these are considered major funds of the City. Data from the other six enterprise funds are combined into a single aggregate presentation. Individual fund data for each of the non-major enterprise funds is provided in the form of combining statements elsewhere in this report. The basic proprietary financial statements can be found on pages 28-37 of this report.

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of those funds are not available to support the City of Mason City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 38-39 of this report.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-75 of this report.

### ***Government-wide Financial Analysis***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Mason City, assets exceeded liabilities by \$154,157,965 at the close of the most recent fiscal year.

By far the largest portion of the City of Mason City's net position (90.4%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related outstanding debt used to acquire those assets. The City of Mason City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.



Although the City of Mason City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following two tables present condensed financial information on the City's Net Position and Changes in Net Position for the fiscal year ending June 30, 2016 and June 30, 2015.

<b>City of Mason City's Net Position</b>						
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Current & other assets	\$ 41,583,229	\$ 41,700,894	\$ 4,463,566	\$ 9,207,807	\$ 46,046,795	\$ 50,908,701
Capital assets	105,489,002	105,536,914	78,186,044	74,338,680	183,675,046	179,875,594
Deferred Outflows	3,104,786	4,070,026	784,433	1,074,377	3,889,219	5,144,403
Total assets	150,177,017	151,307,834	83,434,043	84,620,864	233,611,060	235,928,698
Long-term liabilities outstanding	28,062,215	27,310,104	23,516,712	25,191,327	51,578,927	52,501,431
Other liabilities	7,767,293	6,820,281	4,068,918	4,000,861	11,836,211	10,821,142
Deferred Inflows	15,606,512	19,825,790	431,445	1,770,753	16,037,957	21,596,543
Total liabilities	51,436,020	53,956,175	28,017,075	30,962,941	79,453,095	84,919,116
Net Position:						
Net investment in capital assets	86,127,886	84,727,602	53,212,613	49,472,024	139,340,499	134,199,626
Restricted	1,390,705	1,347,926	2,783,610	2,861,234	4,174,315	4,209,160
Unrestricted	11,222,406	11,276,131	(579,255)	1,324,665	10,643,151	12,600,796
Total	98,740,997	97,351,659	55,416,968	53,657,923	154,157,965	151,009,582

A portion of the City of Mason City's net position (2.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$10,643,151) may be used to meet the government's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City of Mason City is able to report positive balances in all three categories of net position for governmental as a whole, as well as separate governmental activities. The business-type activities have a negative unrestricted net position, due to the consolidation of internal service fund activities related to the enterprise funds. As projects are finalized and closed, the majority are financed through the issuance of bonds, which are then repaid through the debt service levy, tax-increment financing or increased enterprise rates.

The government's overall net position increased by \$3,148,383 for the current fiscal year. Most of the increase was due to the additional fees collected in the governmental funds, an increase in investment earnings in the governmental type funds and capital grants received in the business type funds.

## City of Mason City Change in Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Charges for services	\$ 1,581,051	\$ 1,417,322	\$ 14,171,109	\$ 14,107,827	\$ 15,752,160	\$ 15,525,149
Operating grants & contributions	4,638,840	4,357,766	-	-	4,638,840	4,357,766
Capital grants & contributions	2,139,435	1,387,300	471,576	-	2,611,011	1,387,300
<b>General Revenues:</b>						
Taxes	22,125,422	21,735,723	148,886	137,372	22,274,308	21,873,095
Investment earnings	1,013,796	682,226	105,188	86,078	1,118,984	768,304
Miscellaneous	130,946	58,781	134,024	164,043	264,970	222,824
Total revenues	31,629,490	29,639,118	15,030,783	14,495,320	46,660,273	44,134,438
<b>Expenses:</b>						
Public safety	10,754,469	10,241,751	-	-	10,754,469	10,241,751
Public works	9,511,930	10,250,497	-	-	9,511,930	10,250,497
Health & social servies	413,573	439,606	-	-	413,573	439,606
Culture & recreation	4,258,749	4,149,775	-	-	4,258,749	4,149,775
Community & econ development	2,054,156	2,289,522	-	-	2,054,156	2,289,522
General government	2,506,268	2,518,372	-	-	2,506,268	2,518,372
Interest on debt	686,189	755,292	-	-	686,189	755,292
Water	-	-	5,193,904	4,975,418	5,193,904	4,975,418
Sewer	-	-	3,739,623	3,749,185	3,739,623	3,749,185
Other	-	-	4,393,029	4,224,369	4,393,029	4,224,369
Total expenses	30,185,334	30,644,815	13,326,556	12,948,972	43,511,890	43,593,787
Increase in net assets before transfers	1,444,156	(1,005,697)	1,704,227	1,546,348	3,148,383	540,651
Transfers	(54,818)	(121,215)	54,818	121,215	-	-
Increase in net assets	1,389,338	(1,126,912)	1,759,045	1,667,563	3,148,383	540,651
Net position 7-1-2015	97,351,659	98,478,571	53,657,923	51,990,360	151,009,582	150,468,931
Net psoition 6-30-2016	\$ 98,740,997	\$ 97,351,659	\$ 55,416,968	\$ 53,657,923	\$ 154,157,965	\$ 151,009,582

### Governmental Activities

The governmental activities' net position for the City of Mason City increased by \$1,389,338 during the current fiscal year accounting for almost half the overall increase in the net position of the City of Mason City. The increase in governmental activities unrestricted net position is due mainly to collection of additional fees, increase in grants obtained and additional investment earnings.

### Business-type Activities

Total net position increased by \$1,759,045 for fiscal year 2016, accounting for over half of the increase in the City of Mason City's net position. The increase is due to the City increasing utility rates and the continued upgrades of the water and sanitary sewer system and vehicle purchases for the ambulance department.

Charges for services for business-type activities remained relatively stable from the prior year. Water and Sewer revenues were up from the prior year resulting in the increase. Ambulance calls were down slightly resulting in revenues being slightly less than the prior year. All business-type fund rates remained the same as the prior year except for Sanitation which increased 1.9%.

Operating expenses for business type activities increased by 2.9%. Expenses in the Water fund increased by 4.4% while Sewer expenses decreased by 0.25%. The other business type expenses increased by 4.0%.

## **Financial Analysis of the Government's Funds**

As noted earlier, the City of Mason City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. In particular, unreserved fund balance serves as a useful measure of a government's net resources available for spending during the fiscal year.

In fiscal year 2011, the City adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories and prepaid expenses. The Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

As of the end of the current fiscal year, the City of Mason City's governmental funds reported combined ending fund balances of \$20,202,175, a decrease of \$1,133,371 in comparison with the prior year. The decrease is due to using the prior year's reserves to pay for a large health care claim covered under Iowa Code 411. Additional reserves were used to pay for capital costs associated with street projects. The fund balance has been reserved to indicate the amount is not available for new spending because it has already been committed for; 1) nonspendable for endowment principal and prepaid expenses (\$713,180); 2) restricted purposes such as streets, employee benefits, parks, museum, cemetery and tort liability (\$12,559,460); and 3) assigned purposes such as Airport, Museum, Library and Recreation (\$2,540,018).

The General Fund is the chief operating fund of the City of Mason City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,477,546 while total fund balance reached \$6,859,833. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23.9% of total General Fund expenditures, while total fund balance represents 36.7% of that same amount.

The General Fund balance decreased by \$106,980. The major factor in this decrease is as follows:

- The City police and fire retirees are covered under Iowa Code 411. Health costs associated with this code are to be paid 100% by the City. Several large claims were paid in FY 16 resulting in the decrease in fund balance.

The Road Use Tax Fund has a total fund balance of \$2,117,010. The net decrease of \$478,931 is due to following:

- Several capital projects budgeted in FY 2015 but carried over into FY 2016 were paid out of the Road Use reserves.

The Debt Service Fund has a total fund balance of \$231,420. The net increase of \$28,840 in fund balance during the current year in the debt service fund is due to the premium on the sale of bonds and investment earnings on reserves. The premium included in fund balance will be used in future years to offset some of the Debt Service tax levy for bonds.

During the fiscal year, the City of Mason City issued bonds for the following projects:

- \$1,335,000 General Obligation bonds for Police and City Hall HVAC systems, Library solar panels, Cemetery equipment and Airport projects.

The basic governmental fund financial statements can be found on pages 18-27.

### ***Proprietary Funds***

The City of Mason City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the end of the year amounted to \$2,441,742. Water reported an increase in net position of \$861,969 and Sewer reported an increase of \$782,680. Sanitation rates were increase by 1.91%. There were no other rates increases for all other business-type funds. The increase in Water fund balance is due to the additional revenues from the increase in usage by the customers. The increase in the Sewer fund is due mainly to the increased usage in Water consumption which directly affects the billings for Sewer.

The Capital Improvements Plan identifies and quantifies capital needs for the next several years. Rates in Water and Sanitation proprietary funds are anticipated to rise as capital projects are scheduled to begin construction in the next few years. The Sewer rate should remain stable as the fund has paid down debt that allows those funds to be used for capital projects in the future.

### ***General Fund Budgetary Highlights***

Differences between original and final amended budget revenues amounted to \$159,360 and the significant items are summarized as follows:

- Miscellaneous revenues included various grants and donations totaling \$159,360 for Police, Youth Task Force, Parks projects and an Airport grant.

The variance between the amended revenue budget and actual revenues was due mainly to receiving additional operating grants and donations the City hadn't anticipated receiving.

Differences between original and final amended budget expenses amounted to \$1,189,820 and the significant items are summarized as follows:

- Public safety for Chapter 411 medical cost was increased by \$425,000.
- Health and Social Services was increased by \$140,372 for Youth Task Force activities originally not budgeted but funded through new state grants.
- Museum purchased a major piece of artwork for \$65,000.

The variance between the amended expenditure budget and actual expenses was due mainly to not completing some large capital projects.

## Capital Asset and Debt Administration

### Capital Assets

The City of Mason City's investment in capital assets for its governmental and business type activities as of June 30, 2016 amounts to \$180,365,789 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Replaced various pieces of equipment at the Police Department.
- Continued upgrades to the HVAC system at the Police Department.
- Replaced an ambulance.
- Continued work on replacement of the boiler at City Hall.
- The Airport continued the rehab of the runway lights.
- Several street projects including Street rehabilitation, curb and sidewalk replacement and pavement markings for trails were completed.
- Several parks enhancements including new playground equipment, chip sealing park roads, trail maintenance and Park motor equipment.
- Finalized work on the new construction of the south water tower.
- Water main reroutes were completed throughout the City.
- The inflow and infiltration project continues to update the sewer infrastructure.

### City of Mason City's Capital Assets (Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,634,356	\$ 2,634,356	\$ 4,823,362	\$ 4,823,362	\$ 7,457,718	\$ 7,457,718
Buildings & Structures	14,010,927	14,794,503	11,475,150	11,884,128	25,486,077	26,678,631
Other Improvements	16,502,511	17,611,848	217,344	217,348	16,719,855	17,829,196
Machinery & Equip	1,324,816	1,404,311	1,052,309	1,128,441	2,377,125	2,532,752
Vehicles	3,124,646	3,075,628	1,379,853	1,179,798	4,504,499	4,255,426
Infrastructure	45,673,756	47,246,930	53,177,267	53,932,879	98,851,023	101,179,809
Const in Progress	21,692,343	18,769,338	3,277,149	1,139,996	24,969,492	19,909,334
Total	\$ 104,963,355	\$ 105,536,914	\$ 75,402,434	\$ 74,305,952	\$ 180,365,789	\$ 179,842,866

Additional information on the City of Mason City's capital assets can be found in note 6 on pages 53-54 of this report.

## ***Long-Term Debt***

The amount of debt outstanding at fiscal year-end was \$41.01 million as compared to \$45.69 million last fiscal year. The decrease is a result of pay down of outstanding debt while not issuing as much new debt for FY 2016 projects. New debt was issued for Police equipment, City Hall building upgrades, Library building upgrades and Cemetery equipment. Of the total general obligation debt outstanding, \$18.68 million is backed by the full faith and credit of the City. The remainder is either general obligation debt abated by enterprise revenues or revenue bonds secured solely by specified revenue sources, namely tax increment revenues, water, sewer or ambulance revenues.

	<b>City of Mason City's Outstanding Debt</b>					
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
General obligation	\$18,680,000	\$20,675,000	\$ 5,815,000	\$ 6,785,000	\$24,495,000	\$27,460,000
Revenue bonds	-	-	16,512,000	18,231,000	16,512,000	18,231,000
Total	\$18,680,000	\$20,675,000	\$22,327,000	\$25,016,000	\$41,007,000	\$45,691,000

Moody's Investor Services continues to rate the City's General Obligation Bonds Aa2.

For more detailed information on the City's debt and amortization terms, please refer to Notes to the Financial Statements on page 65.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the City of Mason City is \$83,345,118 and the City of Mason City is currently at \$24,495,000 or 29.39% of its outstanding general obligation debt. As a comparison, the legal debt limit was \$83,252,607 and Mason City had issued \$27,460,000 or 32.98% of its legal debt capacity for the previous fiscal year.

Additional information on the City of Mason City's long-term debt can be found in Note 9 on pages 65-67 of this report.

## ***Economic Factors and Next Year's Budget and Rates***

- The national average unemployment for June 2016 is 4.9%. The unemployment level for June 2015 was 5.3%. Cerro Gordo County's rate for June 2016 is 4.1%, and the state's rate is 4.1%.
- The hourly wage rate in Cerro Gordo County averaged \$19.55 for 2015 and \$18.63 for 1st quarter 2016.
- Retail sales in Cerro Gordo County were \$719.1 million for fiscal year ending 2016, slightly increased from \$687.5 million in fiscal year 2015 and \$683.7 million in fiscal year 2014.
- The total value of building permits for fiscal year 2016 was approximately \$52.04 million. This compares with an amount of \$43.07 million for fiscal year 2015.

### ***Next Year's Budget and Rates***

For FY 2016, department managers were instructed to minimize any changes in budget in anticipation of stagnant revenues. However, certain costs such as payroll, insurance and utilities are anticipated to increase. Approximately 75% of our operating costs in the General Fund are for personal services, including wages and benefits. Changes in personal services can be due to changes in the pay rates, changes in benefits, changes in the number of employees, or any combination of these.

The City is planning to continue with a similar amount of spending on improvements for sewer infrastructure as well as to increase spending on street and water improvements. There are anticipated increases in fees for water being projected for FY 2017, due to the water filtering project at the Water plant. There are several capital projects currently under consideration for the FY 2017 budget. The capital projects will be funded with General Obligation or revenue bonds, existing fund balances or new revenues from sales tax, road use tax, and water charges for FY 2016. With the projected increases, the combined water, sewer, storm sewer and sanitation rates will again be around the 75<sup>th</sup> percentile of surveyed cities in Iowa that provide similar services.

### ***Effect of New Governmental Accounting Standards***

Beginning in fiscal year 2015, Statement No. 68 of the Governmental Accounting Standards Board requires changes to the City's pension accounting and reporting. The net pension liability (NPL) defined by the pronouncement, similar to the unfunded actuarial accrued liability disclosed in Note 14 in the financial statements, will be reported as a liability on the government-wide statement of net position. It is a present value measure of benefits to be provided based on the employees' past service, and accordingly, recognizes the entire net pension expense, regardless of when this expense will be funded. The Net Pension Liability is in addition to the Net OPEB Obligation we have reported in the past. The OPEB obligation is related to the implicit rate subsidy for the City's health insurance plan. The Net Pension Liability is related to Iowa Public Employees Retirement System (IPERS) and Municipal Fire and Police Retirement System of Iowa (MFPRS). The Net OPEB Obligation is \$1,033,644 and the Net Pension Liability is \$15,516,992. The increase in NPL is also shown as an decrease in Unrestricted Net Position balance for FY 2016.

### ***Financial Information Contact***

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact Kevin E. Jacobson, Finance Director, City of Mason City, 10 1<sup>st</sup> Street N.W., Mason City, Iowa 50401.

**CITY OF MASON CITY, IOWA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS:</b>				
Current assets:				
Cash	\$ 7,573,765	\$ 500,013	\$ 8,073,778	\$139,111
Investments	14,353,281	4,175,050	18,528,331	
Receivables:				
Property taxes	181,907	1,679	183,586	-
Succeeding year property taxes	14,132,103	147,369	14,279,472	-
Special assessments-current	148,989	21,376	170,365	-
Succeeding year special assessments	79,541	-	79,541	-
Accounts (net)	38,155	2,103,345	2,141,500	30,226
Accrued interest	16,650	8,643	25,293	-
Internal balances	2,969,918	(2,969,918)	-	-
Due from other governments	1,818,364	-	1,818,364	41,390
Prepaid insurance	142,755	40,554	183,309	-
Prepaid expenses	-	-	-	7,224
Inventory	127,801	435,455	563,256	-
Total current assets	<u>\$ 41,583,229</u>	<u>\$ 4,463,566</u>	<u>\$ 46,046,795</u>	<u>\$217,951</u>
Noncurrent assets:				
Restricted assets:				
Cash	\$ 20,405	\$ 82,740	\$ 103,145	\$ 5,452
Investments	505,051	2,700,000	3,205,051	-
Receivables	191	870	1,061	-
Capital assets:				
Land and construction in progress	24,326,699	8,100,511	32,427,210	-
Other capital assets net of depreciation	80,636,656	67,301,923	147,938,579	8,810
Total noncurrent assets	<u>\$105,489,002</u>	<u>\$78,186,044</u>	<u>\$183,675,046</u>	<u>\$ 14,262</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pension related deferred outflows	\$ 3,104,786	\$ 784,433	\$ 3,889,219	\$ 53,795
Total assets and deferred outflows of resources	\$150,177,017	\$83,434,043	\$233,611,060	\$286,008

(continued)



CITY OF MASON CITY, IOWA  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 2,332,084	\$ 375,859	\$ 2,707,943	\$ 1,922
Salaries payable	473,775	186,244	660,019	7,765
Contracts payable	259,740	403,608	663,348	-
Accrued vacation payable	1,225,221	344,169	1,569,390	14,130
Accrued interest payable	47,682	36,960	84,642	-
Due to other governments	3,791	29,803	33,594	-
Due to customers	-	91,926	91,926	-
Prepaid interments	-	28,349	28,349	-
Unearned revenue	-	-	-	1,725
Current portion of long-term debt:				
Bonds payable	3,425,000	2,572,000	5,997,000	-
Total current liabilities	<u>\$ 7,767,293</u>	<u>\$ 4,068,918</u>	<u>\$ 11,836,211</u>	<u>\$ 25,542</u>
Noncurrent liabilities:				
Bonds payable	\$15,410,469	\$19,617,822	\$ 35,028,291	\$ -
Net OPEB obligation	718,135	315,509	1,033,644	-
Net pension liability	<u>11,933,611</u>	<u>3,583,381</u>	<u>15,516,992</u>	<u>149,358</u>
Total noncurrent liabilities	<u>\$28,062,215</u>	<u>\$23,516,712</u>	<u>\$ 51,578,927</u>	<u>\$149,358</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Succeeding year property taxes	\$14,141,232	\$ 147,369	\$ 14,288,601	\$ -
Succeeding year special assessments	88,824	-	88,824	-
Pension related deferred inflows	<u>1,376,456</u>	<u>284,076</u>	<u>1,660,532</u>	<u>36,686</u>
Total deferred inflows of resources	<u>\$15,606,512</u>	<u>\$ 431,445</u>	<u>\$ 16,037,957</u>	<u>\$ 36,686</u>
Total liabilities and deferred inflows of resources	<u>\$51,436,020</u>	<u>\$28,017,075</u>	<u>\$ 79,453,095</u>	<u>\$211,586</u>
<b>NET POSITION:</b>				
Net investment in capital assets	\$86,127,886	\$53,212,613	\$139,340,499	\$ 8,810
Restricted for:				
Nonexpendable:				
Museum funding	633,638	-	633,638	-
Perpetual care	525,647	-	525,647	-
Expendable:				
Bond retirement	231,420	2,783,610	3,015,030	-
Housing Authority	-	-	-	5,452
Unrestricted	<u>11,222,406</u>	<u>(579,255)</u>	<u>10,643,151</u>	<u>60,160</u>
Total net position	<u>\$98,740,997</u>	<u>\$55,416,968</u>	<u>\$154,157,965</u>	<u>\$ 74,422</u>

See Notes to Financial Statements.

**CITY OF MASON CITY, IOWA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
Primary government:			
Governmental activities:			
Public safety	\$10,754,469	\$ 409,878	\$ 51,284
Public works	9,511,930	91,621	3,494,791
Health and social services	413,573	-	234,669
Culture and recreation	4,258,749	558,680	236,373
Community and economic development	2,054,156	148,558	563,239
General government	2,506,268	372,314	58,484
Interest on long-term debt	686,189	-	-
Total governmental activities	<u>\$30,185,334</u>	<u>\$ 1,581,051</u>	<u>\$4,638,840</u>
Business-type activities:			
Cemetery	\$ 356,153	\$ 94,701	\$ -
Water	5,193,904	5,813,383	-
Sewer	3,739,623	4,295,594	-
Parking lots	134,594	84,276	-
Storm sewer	189,771	289,936	-
Solid waste	1,337,596	1,387,841	-
Golf course	467,724	363,652	-
Ambulance	1,907,191	1,841,726	-
Total business-type activities	<u>\$13,326,556</u>	<u>\$14,171,109</u>	<u>\$ -</u>
<b>Total primary government</b>	<b><u>\$43,511,890</u></b>	<b><u>\$15,752,160</u></b>	<b><u>\$4,638,840</u></b>
Component unit:			
<b>Mason City Housing Authority</b>	<b><u>\$ 2,250,500</u></b>	<b><u>\$ 20,379</u></b>	<b><u>\$2,184,466</u></b>
General Revenues:			
Property taxes			
Other taxes			
Unrestricted state utility tax replacement			
Unrestricted investment income			
Miscellaneous			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position - beginning			
Prior period adjustments			
Net position - ending			

*See Notes to Financial Statements.*

Revenue	Net (Expense) Revenue and Change in Net Position			
	Primary Government			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
\$ -	\$ (10,293,307)	\$ -	\$ (10,293,307)	\$ -
1,052,503	(4,873,015)	-	(4,873,015)	-
-	(178,904)	-	(178,904)	-
254,802	(3,208,894)	-	(3,208,894)	-
832,130	(510,229)	-	(510,229)	-
-	(2,075,470)	-	(2,075,470)	-
-	(686,189)	-	(686,189)	-
<u>\$2,139,435</u>	<u>\$ (21,826,008)</u>	<u>\$ -</u>	<u>\$ (21,826,008)</u>	<u>\$ -</u>
\$ -	\$ -	\$ (261,452)	\$ (261,452)	\$ -
79,205	-	698,684	698,684	-
92,736	-	648,707	648,707	-
-	-	(50,318)	(50,318)	-
294,865	-	395,030	395,030	-
-	-	50,245	50,245	-
-	-	(104,072)	(104,072)	-
4,770	-	(60,695)	(60,695)	-
<u>\$ 471,576</u>	<u>\$ -</u>	<u>\$ 1,316,129</u>	<u>\$ 1,316,129</u>	<u>\$ -</u>
<u><b>\$2,611,011</b></u>	<u><b>\$ (21,826,008)</b></u>	<u><b>\$ 1,316,129</b></u>	<u><b>\$ (20,509,879)</b></u>	<u><b>\$ -</b></u>
<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ (45,655)</b></u>
	\$ 16,205,480	\$ 148,886	\$ 16,354,366	\$ -
	5,761,670	-	5,761,670	-
	158,272	-	158,272	-
	1,013,796	105,188	1,118,984	493
	130,946	134,024	264,970	-
	<u>(54,818)</u>	<u>54,818</u>	<u>-</u>	<u>-</u>
	<u>\$ 23,215,346</u>	<u>\$ 442,916</u>	<u>\$ 23,658,262</u>	<u>\$ 493</u>
	\$ 1,389,338	\$ 1,759,045	\$ 3,148,383	\$ (45,162)
	97,351,659	53,657,923	151,009,582	119,815
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(231)</u>
	<u><b>\$ 98,740,997</b></u>	<u><b>\$55,416,968</b></u>	<u><b>\$154,157,965</b></u>	<u><b>\$ 74,422</b></u>

See Notes to Financial Statements.

CITY OF MASON CITY, IOWA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2016

	<u>General</u>	<u>Road Use Tax</u>
<b>ASSETS:</b>		
Cash	\$ 4,426,459	\$ 356,255
Investments	3,680,083	1,900,000
Receivables:		
Property taxes	93,220	3,145
Succeeding year property taxes	8,557,249	-
Other taxes	3,206	-
Accrued interest	10,492	-
Special assessments - current	57,436	75,870
Succeeding year special assessments	-	1,126
Accounts (net)	18,656	18,932
Due from other funds	230,104	6,727
Due from state government	498,660	261,320
Due from federal government	203,090	-
Prepaid insurance	139,659	3,096
Restricted assets:		
Cash	-	-
Investments	-	-
Accrued interest	-	-
<b>Total assets</b>	<b><u>\$17,918,314</u></b>	<b><u>\$2,626,471</u></b>
<b>LIABILITIES:</b>		
Accounts payable	\$ 646,285	\$ 169,621
Salaries payable	427,968	38,753
Contracts payable	64,354	181,922
Accrued vacation payable	1,118,399	96,166
Due to other funds	231,905	21,873
Due to state government	3,192	-
Total liabilities	<u>\$ 2,492,103</u>	<u>\$ 508,335</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Succeeding year property taxes	\$ 8,566,378	\$ -
Succeeding year special assessments	-	1,126
Total deferred inflows of resources	<u>\$ 8,566,378</u>	<u>\$ 1,126</u>
 Total liabilities and deferred inflows of resources	 <u>\$11,058,481</u>	 <u>\$ 509,461</u>
<b>FUND BALANCES:</b>		
Nonspendable	\$ 139,659	\$ 3,096
Restricted	902,107	2,113,914
Assigned	1,340,521	-
Unassigned	4,477,546	-
Total fund balances	<u>\$ 6,859,833</u>	<u>\$2,117,010</u>
<b>Total liabilities, deferred inflows     of resources and fund balances</b>	<b><u>\$17,918,314</u></b>	<b><u>\$2,626,471</u></b>

*See Notes to Financial Statements.*

<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
\$ -	\$ 2,365,746	\$ 7,148,460
650,000	7,371,227	13,601,310
32,019	39,851	168,235
2,939,616	1,535,005	13,031,870
-	-	3,206
1,575	4,094	16,161
-	15,683	148,989
-	78,415	79,541
-	567	38,155
-	984,388	1,221,219
-	849,070	1,609,050
-	6,224	209,314
-	-	142,755
-	20,405	20,405
-	505,051	505,051
-	191	191
<u><b>\$3,623,210</b></u>	<u><b>\$13,775,917</b></u>	<u><b>\$37,943,912</b></u>

\$ -	\$ 562,897	\$ 1,378,803
-	852	467,573
-	13,464	259,740
-	-	1,214,565
452,174	590,773	1,296,725
-	599	3,791
<u>\$ 452,174</u>	<u>\$ 1,168,585</u>	<u>\$ 4,621,197</u>

\$2,939,616	\$ 1,535,005	\$13,040,999
-	78,415	79,541
<u>\$2,939,616</u>	<u>\$ 1,613,420</u>	<u>\$13,120,540</u>

<u>\$3,391,790</u>	<u>\$ 2,782,005</u>	<u>\$17,741,737</u>
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\$ -	\$ 570,425	\$ 713,180
231,420	9,312,019	12,559,460
-	1,199,497	2,540,018
-	(88,029)	4,389,517
<u>\$ 231,420</u>	<u>\$10,993,912</u>	<u>\$20,202,175</u>

<u><b>\$3,623,210</b></u>	<u><b>\$13,775,917</b></u>	<u><b>\$37,943,912</b></u>
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CITY OF MASON CITY, IOWA  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016

Fund balances—total governmental funds \$ 20,202,175

Amounts reported for governmental activities in the statement of net position are different because:

Inventories used in governmental activities recorded under the purchases method of accounting are not reported as current assets. 127,801

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 104,939,252

Internal service funds, net position 3,278,336

Long-term liabilities, including bonds payable, are not due and payable in current period and, therefore, are not reported in the funds:

Bonds payable	\$ (18,680,000)	
Accrued interest	(47,682)	
Bond premium	(155,469)	
Net OPEB obligation	(718,135)	
Net pension liability	(11,933,611)	(31,534,897)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 3,104,786	
Deferred inflows of resources	(1,376,456)	1,728,330

**Net position of governmental activities \$ 98,740,997**

*See Notes to Financial Statements.*

CITY OF MASON CITY, IOWA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Road Use Tax</u>
<b>REVENUES:</b>		
Property taxes	\$ 9,052,590	\$ -
TIF revenues	-	-
Other taxes	3,280,766	-
Licenses and permits	594,415	-
Intergovernmental	1,861,766	3,468,668
Charges for services	848,413	18,196
Fines and forfeitures	74,775	-
Use of money and property	290,389	174
Special assessments	-	-
Miscellaneous	566,504	6,000
Refunds	6,073	21,116
Total revenues	<u>\$16,575,691</u>	<u>\$3,514,154</u>
<b>EXPENDITURES:</b>		
Operating:		
Public safety	\$ 8,798,512	\$ -
Public works	974,566	2,405,196
Health & social services	389,516	-
Culture & recreation	2,906,544	-
Community & economic development	994,533	-
General government	1,818,740	-
Capital projects	2,827,266	1,352,889
Debt Service:		
Principal retirement	-	-
Interest	-	-
Contractual	-	-
Total expenditures	<u>\$18,709,677</u>	<u>\$3,758,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,133,986)</u>	<u>\$ (243,931)</u>
Other financing sources (uses):		
Issuance of general obligation bonds	\$ 1,276,705	\$ -
Premium/discount on bonds	-	-
Transfers in	911,723	185,000
Transfers out	(161,422)	(420,000)
Total other financing sources (uses)	<u>\$ 2,027,006</u>	<u>\$ (235,000)</u>
Net change in fund balance	\$ (106,980)	\$ (478,931)
Fund balance (deficit) beginning of year	<u>6,966,813</u>	<u>2,595,941</u>
<b>Fund balance (deficit) end of year</b>	<b><u>\$ 6,859,833</u></b>	<b><u>\$2,117,010</u></b>

*See Notes to Financial Statements.*

<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
\$ 2,979,210	\$ 1,417,043	\$13,448,843
-	1,451,725	1,451,725
-	2,639,178	5,919,944
-	-	594,415
-	694,842	6,025,276
-	27,691	894,300
-	-	74,775
5,553	688,358	984,474
-	17,561	17,561
-	344,892	917,396
-	-	27,189
<u>\$ 2,984,763</u>	<u>\$ 7,281,290</u>	<u>\$30,355,898</u>
\$ -	\$ 1,511,413	\$10,309,925
-	49,648	3,429,410
-	8,683	398,199
-	315,759	3,222,303
-	1,831,039	2,825,572
-	619,910	2,438,650
-	2,175,048	6,355,203
3,330,000	-	3,330,000
653,668	-	653,668
37,374	-	37,374
<u>\$ 4,021,042</u>	<u>\$ 6,511,500</u>	<u>\$33,000,304</u>
<u>\$ (1,036,279)</u>	<u>\$ 769,790</u>	<u>\$ (2,644,406)</u>
\$ 58,295	\$ -	\$ 1,335,000
30,853	-	30,853
1,001,171	407,232	2,505,126
(25,200)	(1,753,322)	(2,359,944)
<u>\$ 1,065,119</u>	<u>\$ (1,346,090)</u>	<u>\$ 1,511,035</u>
\$28,840	\$ (576,300)	\$ (1,133,371)
<u>202,580</u>	<u>11,570,212</u>	<u>21,335,546</u>
<u><u>\$ 231,420</u></u>	<u><u>\$10,993,912</u></u>	<u><u>\$20,202,175</u></u>



CITY OF MASON CITY, IOWA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances—total governmental funds \$(1,133,371)

Amounts reported for governmental activities in the statement of activities are different because:

General inventories net change 109,128

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in fund balance differs by the cost of the capital assets sold. (36,300)

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	\$6,841,838	
Depreciation expense	<u>(6,236,777)</u>	605,061

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Repayments of bond principal	\$3,330,000	
Issuance of debt	(1,335,000)	
Accrued interest	(5,393)	
Amortization of bond premium	(21,157)	
Pension expense	(915,900)	
Other post-employment benefits	<u>(109,015)</u>	943,535

The current year City employer share of IPERS and MFPSI contributions are reported as expenditures in the government funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 1,708,057

Internal service funds net change (806,772)

**Change in net position—governmental activities \$1,389,338**

*See Notes to Financial Statements.*

CITY OF MASON CITY, IOWA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES—BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Amended Budget	Actual
<b>REVENUES:</b>			
Property taxes	\$ 8,265,459	\$ 8,265,459	\$ 9,052,590
Other taxes	2,957,048	2,957,048	3,280,766
Licenses and permits	585,505	585,505	594,415
Intergovernmental	2,961,003	2,961,003	1,861,766
Charges for services	791,474	791,474	848,413
Fines and forfeitures	-	-	74,775
Use of money and property	394,538	394,538	290,389
Miscellaneous	300,964	460,324	566,504
Refunds	-	-	6,073
Total revenues	<u>\$16,255,991</u>	<u>\$16,415,351</u>	<u>\$16,575,691</u>
<b>EXPENDITURES:</b>			
Operating:			
Public safety	\$ 8,438,415	\$ 8,863,415	\$ 8,798,512
Public works	1,060,719	1,060,719	974,566
Health & social services	322,065	462,437	389,516
Culture & recreation	2,955,543	2,961,431	2,906,544
Community & economic development	1,040,534	1,040,534	994,533
General government	2,019,781	2,072,241	1,818,740
Capital projects	2,974,201	3,540,301	2,827,266
Total expenditures	<u>\$18,811,258</u>	<u>\$20,001,078</u>	<u>\$18,709,677</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,555,267)</u>	<u>\$ (3,585,727)</u>	<u>\$ (2,133,986)</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ 1,459,280	\$ 1,459,280	\$ 1,276,705
Transfers in	1,074,940	1,084,190	911,723
Transfers out	<u>(144,940)</u>	<u>(154,190)</u>	<u>(161,422)</u>
Total other financing sources (uses)	<u>\$ 2,389,280</u>	<u>\$ 2,389,280</u>	<u>\$ 2,027,006</u>
Net change in fund balance	\$ (165,987)	\$ (1,196,447)	\$ (106,980)
Fund balance (deficit) beginning of year	<u>-</u>	<u>-</u>	<u>6,966,813</u>
<b>Fund balance (deficit) end of year</b>	<u><b>\$ (165,987)</b></u>	<u><b>\$ (1,196,447)</b></u>	<u><b>\$ 6,859,833</b></u>

See Notes to Financial Statements.

Variance with  
Amended Budget  
Positive  
(Negative)

\$ 787,131  
323,718  
8,910  
(1,099,237)  
56,939  
74,775  
(104,149)  
106,180  
6,073  
\$ 160,340

\$ 64,903  
86,153  
72,921  
54,887  
46,001  
253,501  
713,035  
\$1,291,401

\$1,451,741

\$ (182,575)  
(172,467)  
(7,232)

\$ (362,274)

\$1,089,467

6,966,813

\$8,056,280

CITY OF MASON CITY, IOWA  
ROAD USE TAX FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
<b>REVENUES:</b>			
Intergovernmental:			
Road use tax allocation	\$ 2,750,000	\$ 2,750,000	\$3,468,668
Charges for services	-	-	18,196
Use of money and property	-	-	174
Miscellaneous	50,000	53,000	6,000
Refund	-	-	21,116
Total revenues	<u>\$ 2,800,000</u>	<u>\$ 2,803,000</u>	<u>\$3,514,154</u>
<b>EXPENDITURES:</b>			
Operating:			
Public works:			
Personal services	\$ 1,396,739	\$ 1,396,739	\$1,389,219
Contractual	602,972	602,972	579,508
Commodities	444,523	444,523	436,469
Total public works	<u>\$ 2,444,234</u>	<u>\$ 2,444,234</u>	<u>\$2,405,196</u>
Capital projects	<u>\$ 1,600,269</u>	<u>\$ 1,600,269</u>	<u>\$1,352,889</u>
Total expenditures	<u>\$ 4,044,503</u>	<u>\$ 4,044,503</u>	<u>\$3,758,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,244,503)</u>	<u>\$ (1,241,503)</u>	<u>\$ (243,931)</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ -	\$ 185,000
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(420,000)</u>
Total other financing sources (uses)	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>	<u>\$ (235,000)</u>
Net change in fund balance	\$ (1,264,503)	\$ (1,261,503)	\$ (478,931)
Fund balance (deficit) beginning of year	-	-	2,595,941
<b>Fund balance (deficit) end of year</b>	<b><u>\$ (1,264,503)</u></b>	<b><u>\$ (1,261,503)</u></b>	<b><u>\$2,117,010</u></b>

*See Notes to Financial Statements.*

Variance with  
Amended Budget  
Positive  
(Negative)

\$ 718,668  
18,196  
174  
(47,000)  
21,116  
\$ 711,154

\$ 7,520  
23,464  
8,054  
\$ 39,038  
\$ 247,380  
\$ 286,418

\$ 997,572

\$ 185,000  
(400,000)

\$ (215,000)

\$ 782,572

2,595,941

**\$3,378,513**

**CITY OF MASON CITY, IOWA  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016**

	<u>Waterworks</u>	<u>Sewer Rental</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ -	\$ -
Investments (at cost)	3,600,000	325,000
Receivables:		
Property taxes	-	-
Succeeding year property taxes	-	-
Special assessments - current	-	21,376
Accounts (net)	680,014	485,120
Accrued interest	7,648	726
Inventory	306,184	48,936
Due from other funds	89,206	537,590
Prepaid insurance	18,362	20,806
Total current assets	<u>\$ 4,701,414</u>	<u>\$ 1,439,554</u>
Noncurrent assets:		
Restricted assets:		
Cash	\$ 49,116	\$ 33,624
Investments (at cost)	1,675,000	1,025,000
Accrued interest	-	870
Total restricted assets	<u>\$ 1,724,116</u>	<u>\$ 1,059,494</u>
Property, plant and equipment:		
Land	\$ 167,220	\$ 316,209
Buildings	15,537,504	-
Equipment	1,470,338	1,055,242
Distribution system	33,249,029	-
Meters	1,056,920	-
Plant and improvements	-	34,788,581
Sewer lines and lifts	-	18,766,811
Improvements	-	-
Vehicles	432,896	919,064
Construction in progress	2,126,676	699,423
Total property, plant and equipment	<u>\$54,040,583</u>	<u>\$56,545,330</u>
Less accumulated depreciation	<u>(20,375,951)</u>	<u>(24,974,112)</u>
Net property, plant and equipment	<u>\$33,664,632</u>	<u>\$31,571,218</u>
Total noncurrent assets	<u>\$35,388,748</u>	<u>\$32,630,712</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Pension related deferred outflows	<u>\$ 133,301</u>	<u>\$ 91,226</u>
Total assets and deferred outflows of resources	<u>\$40,223,463</u>	<u>\$34,161,492</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 500,013	\$ 500,013	\$ 425,305
250,050	4,175,050	751,971
1,679	1,679	10,466
147,369	147,369	1,100,233
-	21,376	-
938,211	2,103,345	-
269	8,643	489
80,335	435,455	-
490,074	1,116,870	24,430
1,386	40,554	-
<u>\$ 2,409,386</u>	<u>\$ 8,550,354</u>	<u>\$2,312,894</u>
\$ -	\$ 82,740	\$ -
-	2,700,000	-
-	870	-
<u>\$ -</u>	<u>\$ 2,783,610</u>	<u>\$ -</u>
\$ 4,339,933	\$ 4,823,362	\$ -
1,568,237	17,105,741	-
1,293,685	3,819,265	114,027
-	33,249,029	-
-	1,056,920	-
-	34,788,581	-
5,429,715	24,196,526	-
3,213,849	3,213,849	-
2,185,591	3,537,551	85,174
451,050	3,277,149	-
\$18,482,060	\$129,067,973	\$ 199,201
(8,315,476)	(53,665,539)	(175,100)
<u>\$10,166,584</u>	<u>\$ 75,402,434</u>	<u>\$ 24,101</u>
<u>\$10,166,584</u>	<u>\$ 78,186,044</u>	<u>\$ 24,101</u>
\$ 559,906	\$ 784,433	\$ -
<u>\$13,135,876</u>	<u>\$ 87,520,831</u>	<u>\$2,336,995</u>

CITY OF MASON CITY, IOWA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 AS OF JUNE 30, 2016

	<u>Waterworks</u>	<u>Sewer Rental</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 123,874	\$ 56,905
Salaries payable	55,323	36,489
Contracts payable	358,164	17,274
Accrued vacation payable	101,753	82,083
Accrued interest payable	18,571	18,389
Due to other funds	905,034	643
Due to state government	27,825	-
Due to customers	91,926	-
General obligation bonds	615,000	180,000
Revenue bonds	1,187,000	590,000
Prepaid interments	-	-
Unearned revenue	-	-
Total current liabilities	<u>\$ 3,484,470</u>	<u>\$ 981,783</u>
Long-term debt:		
General obligation bonds	\$ 3,770,000	\$ 1,250,001
Revenue bonds	5,939,607	8,658,214
Net OPEB obligation	105,441	61,507
Net pension liability	<u>809,997</u>	<u>548,323</u>
Total long-term debt	<u>\$10,625,045</u>	<u>\$10,518,045</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Succeeding year property taxes	\$ -	\$ -
Pension related deferred inflows	74,603	58,200
Total deferred inflows of resources	<u>\$ 74,603</u>	<u>\$ 58,200</u>
Total liabilities and deferred inflows of resources	<u>\$14,184,116</u>	<u>\$11,558,028</u>
<b>NET POSITION:</b>		
Net investment in capital assets	\$22,153,025	\$20,893,003
Restricted for:		
Bond retirement	1,724,116	1,059,494
Unrestricted	<u>2,162,206</u>	<u>650,967</u>
Total net position	<u><u>\$26,039,347</u></u>	<u><u>\$22,603,464</u></u>

Adjustment to reflect the consolidation of internal  
 service fund activities related to enterprise funds

Net position of business-type activities

*See Notes to Financial Statements.*



<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ 195,080	\$ 375,859	\$ 953,281
94,432	186,244	6,202
28,170	403,608	-
160,333	344,169	10,656
-	36,960	-
160,117	1,065,794	-
1,978	29,803	-
-	91,926	-
-	795,000	-
-	1,777,000	-
28,349	28,349	-
-	-	9,283
<u>\$ 668,459</u>	<u>\$ 5,134,712</u>	<u>\$ 979,422</u>
\$ -	\$ 5,020,001	\$ -
-	14,597,821	-
148,561	315,509	-
<u>2,225,061</u>	<u>3,583,381</u>	<u>-</u>
<u>\$ 2,373,622</u>	<u>\$23,516,712</u>	<u>\$ -</u>
\$ 147,369	\$ 147,369	\$1,100,233
151,273	284,076	-
<u>\$ 298,642</u>	<u>\$ 431,445</u>	<u>\$1,100,233</u>
<u>\$ 3,340,723</u>	<u>\$29,082,867</u>	<u>\$2,079,655</u>
\$10,166,584	\$53,212,612	\$ 24,101
-	2,783,610	-
<u>(371,431)</u>	<u>2,441,742</u>	<u>233,239</u>
<u><b>\$ 9,795,153</b></u>	<u><b>\$58,437,964</b></u>	<u><b>\$ 257,340</b></u>
	<u>(3,020,996)</u>	
	<u><b>\$55,416,968</b></u>	

CITY OF MASON CITY, IOWA  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Waterworks</u>	<u>Sewer Rental</u>
<b>Operating revenues:</b>		
Charges for services	\$ 5,813,383	\$ 4,295,594
Health insurance contributions	-	-
Total operating revenues	<u>\$ 5,813,383</u>	<u>\$ 4,295,594</u>
<b>Operating expenses:</b>		
Business-type activities:		
Personal services	\$ 1,664,012	\$ 1,164,149
Contractual	1,060,145	532,665
Commodities	595,294	274,999
Other	13,590	-
Depreciation	1,435,411	1,328,957
Amortization	7,220	4,947
Total operating expenses	<u>\$ 4,775,672</u>	<u>\$ 3,305,717</u>
Operating income (loss)	<u>\$ 1,037,711</u>	<u>\$ 989,877</u>
<b>Nonoperating revenues (expenses):</b>		
Property taxes	\$ -	\$ -
Intergovernmental	-	-
Fines and forfeitures	-	-
Use of money and property	36,949	5,470
Special assessments	-	-
Miscellaneous	7,896	69,390
Interest	(279,792)	(354,793)
Gain(Loss) on disposal of assets	-	-
Total nonoperating revenue (expense)	<u>\$ (234,947)</u>	<u>\$ (279,933)</u>
Income (loss) before contributions and transfers	<u>\$ 802,764</u>	<u>\$ 709,944</u>
<b>Contributions and transfers:</b>		
Transfers in	\$ -	\$ -
Transfers out	(20,000)	(20,000)
Capital contributions	79,205	92,736
Total contributions and transfers	<u>\$ 59,205</u>	<u>\$ 72,736</u>
Change in net position	\$ 861,969	\$ 782,680
Net position beginning of year	<u>25,177,378</u>	<u>21,820,784</u>
<b>Net position end of year</b>	<b><u>\$26,039,347</u></b>	<b><u>\$22,603,464</u></b>

Adjustment to reflect the consolidation of internal  
 service fund activities related to enterprise funds

Change in net position of business-type activities

**See Notes to Financial Statements.**

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$4,034,785	\$14,143,762	\$ 250,718
-	-	3,210,392
<u>\$4,034,785</u>	<u>\$14,143,762</u>	<u>\$ 3,461,110</u>
\$2,597,871	\$ 5,426,032	\$ 4,598,235
692,855	2,285,665	11,219
394,898	1,265,191	21,680
54,819	68,409	8,960
497,889	3,262,257	7,001
-	12,167	-
<u>\$4,238,332</u>	<u>\$12,319,721</u>	<u>\$ 4,647,095</u>
<u>\$ (203,547)</u>	<u>\$ 1,824,041</u>	<u>\$ (1,185,985)</u>
\$ 148,886	\$ 148,886	\$ 1,304,912
4,770	4,770	-
27,347	27,347	-
62,769	105,188	29,322
-	-	-
56,738	134,024	-
-	(634,585)	-
6,964	6,964	-
<u>\$ 307,474</u>	<u>\$ (207,406)</u>	<u>\$ 1,334,234</u>
<u>\$ 103,927</u>	<u>\$ 1,616,635</u>	<u>\$ 148,249</u>
\$ 94,818	\$ 94,818	\$ -
-	(40,000)	(200,000)
294,865	466,806	-
<u>\$ 389,683</u>	<u>\$ 521,624</u>	<u>\$ (200,000)</u>
\$ 493,610	\$ 2,138,259	\$ (51,751)
<u>9,301,543</u>		<u>309,091</u>
<u><b>\$9,795,153</b></u>		<u><b>\$ 257,340</b></u>
	<u>(379,210)</u>	
	<u><b>\$ 1,759,045</b></u>	

**CITY OF MASON CITY, IOWA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2016**

	<u>Waterworks</u>	<u>Sewer Rental</u>
Cash flows from operating activities:		
Cash received from interfund charges	\$ -	\$ -
Cash received from employees and others	-	-
Cash received from customers	6,190,507	4,305,907
Cash paid to employees for services	(1,650,950)	(1,174,676)
Cash paid to other suppliers of goods or services	(1,120,398)	(849,660)
Cash paid for health and life insurance	-	-
Rent received from operating assets	21,235	-
Proceeds from miscellaneous items	<u>7,896</u>	<u>69,390</u>
Net cash provided (used) by operating activities	<u>\$ 3,448,290</u>	<u>\$ 2,350,961</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ -	\$ -
Transfers in	-	-
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>
Net cash provided (used) by non-capital financing activities	<u>\$ (20,000)</u>	<u>\$ (20,000)</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (3,442,523)	\$ (1,714,661)
Principal payments	(1,148,000)	(571,000)
Interest payments	<u>(169,377)</u>	<u>(297,900)</u>
Net cash provided (used) for capital and related financing activities	<u>\$ (4,759,900)</u>	<u>\$ (2,583,561)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	\$ 6,675,000	\$ 2,095,000
Purchase of investments	(8,525,000)	(2,120,000)
Interest received	11,932	5,475
Rent received on investment property	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>\$ (1,838,068)</u>	<u>\$ (19,525)</u>
Net increase (decrease) in cash	\$ (3,169,678)	\$ (272,125)
Cash beginning of year	<u>3,218,794</u>	<u>305,749</u>
<b>Cash end of year</b>	<b><u>\$ 49,116</u></b>	<b><u>\$ 33,624</u></b>
Noncash capital, investing and financing activities:		
Decrease in fair value of investments	<u>\$ -</u>	<u>\$ -</u>

(continued)

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ -	\$ -	\$ 2,927,125
-	-	656,610
4,270,407	14,766,821	-
(2,751,401)	(5,577,027)	(205,681)
(1,471,185)	(3,441,243)	(33,850)
-	-	(4,451,113)
-	21,235	-
84,085	161,371	-
<u>\$ 131,906</u>	<u>\$ 5,931,157</u>	<u>\$ (1,106,909)</u>
\$ 148,835	\$ 148,835	\$ 1,306,534
94,818	94,818	-
-	(40,000)	(200,000)
<u>\$ 243,653</u>	<u>\$ 203,653</u>	<u>\$ 1,106,534</u>
\$ (1,065,349)	\$ (6,222,533)	\$ (9,700)
-	(1,719,000)	-
-	(467,277)	-
<u>\$ (1,065,349)</u>	<u>\$ (8,408,810)</u>	<u>\$ (9,700)</u>
\$ 1,546,373	\$10,316,373	\$ 950,500
(910,000)	(11,555,000)	(750,000)
22,736	40,143	17,630
24,541	24,541	-
<u>\$ 683,650</u>	<u>\$ (1,173,943)</u>	<u>\$ 218,130</u>
\$ (6,140)	\$ (3,447,943)	\$ 208,055
506,153	4,030,696	217,250
<u><b>\$ 500,013</b></u>	<u><b>\$ 582,753</b></u>	<u><b>\$ 425,305</b></u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,388</u>

CITY OF MASON CITY, IOWA  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED JUNE 30, 2016

	<u>Waterworks</u>	<u>Sewer Rental</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$1,037,711	\$ 989,877
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation and amortization expense	1,435,411	1,328,957
Rental income	21,235	-
Miscellaneous income	7,896	69,390
Change in assets and liabilities:		
(Increase) decrease in receivables	(23,111)	9,571
(Increase) decrease in inventory	(81,626)	7,179
(Increase) decrease in due from other funds	4,526	-
(Increase) decrease in prepaid insurance	2,860	5,137
(Increase) decrease in deferred outflows	77,401	52,868
Increase (decrease) in accounts & contracts payable	135,143	(5,080)
Increase (decrease) in salaries payable	15,850	8,996
Increase (decrease) in accrued compensated absences	19,960	(2,250)
Increase (decrease) in due to other funds	896,339	(43,544)
Increase (decrease) in due to state government	(3,567)	-
Increase (decrease) in due to customers	2,411	-
Increase (decrease) in prepaid interments	-	-
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in net OPEB obligation	18,548	9,463
Increase (decrease) in net pension liability	153,695	99,497
Increase (decrease) in deferred inflows	(272,392)	(179,100)
 <b>Net cash provided (used) by operating activities</b>	 <b><u>\$3,448,290</u></b>	 <b><u>\$2,350,961</u></b>

*See Notes to Financial Statements.*

<u>Other</u>	<u>Total</u>	<u>Governmental Activities- Internal Service</u>
\$ (203,547)	\$1,824,041	\$ (1,185,985)
497,889	3,262,257	7,001
-	21,235	-
84,085	161,371	-
185,441	171,901	-
(6,634)	(81,081)	-
(380,712)	(376,186)	(4,073)
3,552	11,549	89
159,675	289,944	-
3,742	133,805	75,158
27,713	52,559	1,566
4,084	21,794	(196)
45,172	897,967	-
(476)	(4,043)	-
-	2,411	-
(4,932)	(4,932)	-
(600)	(600)	(469)
26,684	54,695	-
577,332	830,524	-
(886,562)	(1,338,054)	-
<u>\$ 131,906</u>	<u>\$5,931,157</u>	<u>\$ (1,106,909)</u>

CITY OF MASON CITY, IOWA  
FIDUCIARY FUND  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016

	<u>Firemen's Pension</u>
<b>ASSETS:</b>	
Cash	\$ 6,562
Receivables:	
Property taxes	62
Succeeding year property taxes	<u>4,794</u>
<b>Total assets</b>	<b><u>\$11,418</u></b>
 <b>DEFERRED INFLOWS OF RESOURCES:</b>	
Succeeding year property taxes	<u>\$ 4,794</u>
 <b>NET POSITION:</b>	
Held in trust for pension benefits	<b><u><u>\$ 6,624</u></u></b>

*See Notes to Financial Statements.*



CITY OF MASON CITY, IOWA  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

	<b><u>Firemen's Pension</u></b>
<b>ADDITIONS:</b>	
Property taxes	\$7,730
Use of money and property	<u>13</u>
Total additions	<u>\$7,743</u>
<b>DEDUCTIONS:</b>	
Public safety:	
Benefits paid	<u>\$7,308</u>
Change in net position	\$ 435
Net position beginning of year	<u>6,189</u>
<b>Net position end of year</b>	<b><u><u>\$6,624</u></u></b>

*See Notes to Financial Statements.*

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(1) Financial Reporting Entity**

The City of Mason City is a political subdivision of the State of Iowa. It was first incorporated on December 21, 1869 and operates under the Home Rule Provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government and provides for public safety, highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, public transit and general administrative services.

For financial reporting purposes, the City of Mason City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Mason City has determined the MacNider Art Museum Foundation meets the Governmental Accounting Standards Board criteria for a blended component unit and, accordingly, has been included in special revenue funds. The directors of the foundation are appointed by the directors of the museum who are appointed by the Mayor and approved by the Council. The Foundation exists to support the City-owned MacNider Museum. The City has determined the Mason City Housing Authority meets the Governmental Accounting Standards Board criteria for a discretely presented component unit due to the nature and significance of its relationship with the City. The Authority's commissioners are appointed by the Mayor and approved by the Council, and the Authority provides low-income housing to the citizens of Mason City. Almost all of the component unit's resources are ultimately used for the City and its constituents. Complete financial statements of the Mason City Housing Authority may be obtained at the entity's administrative offices at 22 N. Georgia, Suite 214, Mason City, IA 50401.

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Cerro Gordo County Assessor's Conference Board, City of Mason City's City Assessor's Conference Board, Cerro Gordo County Emergency Management Commission, Landfill of North Iowa Board and Cerro Gordo County Joint E911 Service Board.

**(2) Summary of Significant Accounting Policies**

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(2) Summary of Significant Accounting Policies - continued

(A) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the City's nonfiduciary assets plus deferred outflows of resources, and liabilities plus deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(2) Summary of Significant Accounting Policies - continued**

(B) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Substantially all shared revenues are recorded when the underlying exchange transaction has occurred. For governmental funds, revenue from grant revenues is recorded as unearned revenue until they become available.

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred. Income from accounts receivables and unbilled usage is recognized when earned. Licenses and permits, fines and forfeiture fees and refunds, charges for services (other than enterprise), miscellaneous and other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Special assessment receivables are recorded at the time of their levy. The related revenue is recognized at the time it is due in the governmental funds and when levied for government-wide statements.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(2) Summary of Significant Accounting Policies - continued**

The City of Mason City reports the following major governmental funds:

**General Fund**

The General Fund accounts for all the financial resources of the City, except for those required to be accounted for by other funds. The revenues of the General Fund are primarily derived from general property taxes, charges for services, fines and forfeitures, licenses and permits, and certain revenues from state and federal sources. The expenditures of the General Fund primarily relate to general administration, police and fire protection, public buildings operation and maintenance, airport, museum, library and parks and recreation oriented activities.

**Road Use Tax Fund**

The Road Use Tax Fund accounts for the operations of the street maintenance department. Financing is provided by the City's share of state gasoline taxes. State law requires these taxes to be used to maintain streets.

**Debt Service Fund**

The Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term and special debt principal, interest and related costs. Financing is through annual property tax levies. Tax levies in excess of actual requirements are legally restricted to service this debt.

The City reports the following major proprietary funds:

**Water Works Fund**

The Water Works Fund accounts for the operation and maintenance of the City's water system.

**Sanitary Sewer Rental Fund**

The Sanitary Sewer Rental Fund accounts for the operation and maintenance of the City's sanitary sewer system.

Additionally, the City reports the following fund types:

The City's Internal Service Funds account for costs in vehicle maintenance, electrical repairs and health insurance. The central services fund is used to account for (1) maintenance and repair costs related to City vehicles and equipment and (2) costs for electrical maintenance repair for all City facilities and traffic maintenance. The health insurance fund is used to account for health insurance premiums and claims for all City employees.

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed for a specified purpose other than debt service.

The Capital Projects Funds account for financial resources to be used for the construction and acquisition of other general capital improvements. These projects are financed mainly through bond proceeds and Local Option Sales Tax.

The Pension Trust Fund accounts for assets held by the City to be used for retirement payments for qualified public safety employees.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(2) Summary of Significant Accounting Policies - continued**

Other enterprise funds account for operations and activities that are financed and operated in a manner similar to a private business enterprise, and where the costs of providing goods or services to the general public on a continuing basis are expected to be financed or recovered primarily through user charges, or where the City has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has six funds classified as other enterprise funds and they are as follows: cemetery, storm sewer, solid waste disposal, golf course, parking lots and ambulance.

Transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of proprietary funds are user fees and charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then to use less restrictive classifications—committed, assigned and then unassigned.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(2) Summary of Significant Accounting Policies - continued**

- (C) Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position or equity

Cash Management and Investments

The City maintains one primary demand deposit account through which the majority of the City's cash resources are processed. The City's cash and cash equivalents include amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the City.

Investments are stated at fair value except for nonnegotiable certificates of deposit which are carried at cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The City invests in the Iowa Public Agency Investment Trust (IPAIT) which is a 2a-7 - like pool. IPAIT is a common law trust established under Iowa law and is administered by an appointed investment management company and operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. The fair value of the position in the trust is the same as the value of the shares.

The Code of Iowa requires all investment income of the Road Use Tax Special Revenue Fund to be recorded as General Fund revenue. \$6,367 and \$4,308 of investment income for the years ended June 30, 2016 and 2015, respectively, were recorded in this manner.

Receivables and Payables

Accounts receivable as of June 30, 2016, in proprietary and governmental funds is reported net of allowance for doubtful accounts in the amounts of \$3,003,200 and \$48,860 respectively.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes receivable are recognized at the time an enforceable legal claim is established. This is determined to occur when the budget is certified. All City property taxes must be certified to the Cerro Gordo County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. The county auditor is then required to place these city taxes upon the tax list. This levying of property taxes procedurally occurs during June prior to the fiscal year for which the taxes are to be collected. The property taxes actually become an enforceable lien against the property when the budget is certified.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(2) Summary of Significant Accounting Policies - continued**

Property taxes levied by the Cerro Gordo County Auditor and collectible for the year ended June 30, 2016, were due by July 1, 2015, with the first half installment being delinquent after September 30, 2015, and the second half installment being delinquent after March 31, 2016. Any collections remitted to the City within thirty days subsequent to year end are recorded as property tax revenue. The succeeding year property tax receivable represents the 2016 levy certified on March 15, 2016, based on 2015 assessed valuations. As the levy is intended for use in the fiscal year ended June 30, 2017, the revenue has been recorded as a deferred inflow of resources.

**Due From Other Governments**

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**Inventories and Prepaid Items**

Inventories are recognized only in those funds in which they are material to the extent of affecting operations. All inventories are carried at lower of cost or market (first-in, first-out). The consumption method of accounting is applied to the business-type inventories.

**Restricted Assets**

Assets within the enterprise funds which can be designated by the City Council for any use within the fund's purpose are considered to be unrestricted assets. Assets which are restricted for specific uses by bonded debt requirements, grant provisions, or other requirements are classified as restricted assets. Liabilities which are payable from restricted assets, are classified as such.

**Capital Assets**

Capital assets, which include land, buildings, improvements other than buildings, and machinery and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.



**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(2) Summary of Significant Accounting Policies** - continued

Buildings, improvements other than buildings, and machinery and equipment of the primary government, as well as component units, are depreciated using the straight line method over the following estimated useful lives:

Buildings and structures	20 to 50 years
Improvements other than buildings	5 to 100 years
Machinery and equipment	3 to 20 years
Infrastructure	10 to 45 years

Collections such as library books and museum exhibits are held for public exhibition, education, or research in the furtherance of public service rather than financial gain, protected, kept unencumbered, cared for, and preserved, and are subject to an organizational policy that requires the proceeds from sales of collections to be used to acquire other items for collections or access to the collections and, therefore, are not capitalized.

**Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the City after the measurement date but before the end of the City's reporting period.

**Vacation Payable**

City employees earn vacation and sick leave at rates dependent on years of service. Sick leave may be accumulated up to 960 hours but is forfeited if not used. Therefore, no accrual is recorded for accrued sick leave. Vacation leave is vested as earned, but must be used within one year or is forfeited. The City records these accumulations in the fund in which they are earned for governmental type funds as the City anticipates paying these accruals from expendable available financial resources. For proprietary type funds, these accumulations are recorded as liabilities.

**Long-Term Liabilities**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(2) Summary of Significant Accounting Policies - continued

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System and the Municipal Fire and Police Retirement System (Systems') and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems'. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measureable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue had not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and succeeding year special assessments receivable that will not be recognized as revenue until the year for which they are levied, and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(2) Summary of Significant Accounting Policies - continued**

Assigned - Amounts the City Council intends to use for specific purposes. Intent can be expressed by the City Council or by an official or body to which the City Council delegates its authority. The City Council has authorized the Finance Director to assign fund balance through the approval of the annual budget.

Unassigned - All amounts not included in other spendable classifications. The general fund is the only fund that reports a positive unassigned fund balance.

**(D) Budgetary control, compliance and appropriation data**

The City prepares and adopts an annual program budget, as prescribed by the Code of Iowa, for all funds except Community Growth TIF, Westside TIF, South Eisenhower TIF, Gateway TIF, Forest Park TIF, ESGP Grant, ADDI, PDM-FEMA, MacNider Museum Foundation special revenue funds; Cemetery Perpetual Care permanent fund and fiduciary funds. The statutory level of control is on the program level for all funds rather than at the individual fund level. The City's budget as prescribed by the Code of Iowa must contain the following:

- a. Expenditures for each program:
  - Public Safety
  - Public Works
  - Health and Social Services
  - Culture and Recreation
  - Community and Economic Development
  - General Government
  - Debt Service
  - Capital Projects
- b. The amount to be raised by property taxation
- c. Income from sources other than property taxation

City Council action to legally enact the budget goes beyond the State requirement and includes budgets for individual funds except fiduciary funds. The City budget is prepared and reported on a modified accrual basis of accounting.

A City budget may be amended for any of the following purposes:

- a. To permit the appropriation and expenditure of unexpended unencumbered cash balances on hand at the end of the preceding fiscal year.
- b. To permit the appropriation and expenditure of amounts anticipated to be available from sources other than property taxation.
- c. To permit transfers between funds as prescribed by state law.
- d. To permit transfers between programs.

A budget amendment must be prepared and adopted in the same manner as the original budget. Management has no authority to amend the budget other than as directed by the City Council; furthermore, it is the City Council's policy that only state required budget amendments will be adopted. The City's budget was amended as prescribed and the effect of that amendment is shown in the following table.

The following table presented on a budgetary basis demonstrates the statutory compliance with the annual fiscal year 2016 budget:

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(2) Summary of Significant Accounting Policies - continued**

	Original Certified Budget	Budget Amendment	Final Certified Budget	Actual Expenditures
Public Safety	\$ 9,895,720	\$ 425,000	\$10,320,720	\$10,309,925
Public Works	3,564,011	188,000	3,752,011	3,429,410
Health and Social Services	331,292	153,472	484,764	398,199
Culture and Recreation	3,663,817	724,088	4,387,905	3,222,303
Community and Economic Development	4,970,412	195,000	5,165,412	2,825,572
General Government	5,977,973	452,460	6,430,433	2,438,650
Debt Service	5,134,870	51,320	5,186,190	4,021,042
Capital Projects	7,428,828	-	7,428,828	6,355,203
Business-Type	14,554,877	2,575,375	17,130,252	12,954,306
Total	<u>\$55,521,800</u>	<u>\$4,764,715</u>	<u>\$60,286,515</u>	<u>\$45,954,610</u>

The fiscal year 2016 budget amendment resulted in an overall increase in the appropriation.

**(E) Unbilled Revenues**

The Waterworks, Sewer Rental, Solid Waste and Storm Sewer Funds accrue unbilled revenues for services rendered subsequent to the last billing date and prior to year-end based upon the number of days unbilled compared to the first billing subsequent to year-end. At June 30, 2016 unbilled utility receivables for the Waterworks, Sewer Rental, Solid Waste and Storm Sewer Funds were included in accounts receivable and totaled approximately \$422,764, \$328,479, \$90,308 and \$20,604, respectively.

**(3) Cash and Investments**

The City's deposits at June 30, 2016 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments are all insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments in the Iowa Public Agency Investment Trust are valued at an amortized cost of \$119,849 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization and are not rated.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(3) Cash and Investments - continued**

The carrying amount and fair value of the City's investments at June 30, 2016 are as follows:

	<u>Fair Value</u>
U.S. Government securities	\$ 6,373,793
Equity securities	<u>1,215,682</u>
	\$ 7,589,475
Deposits classified as investments:	
Iowa Public Agency Investment Trust	119,849
Nonnegotiable certificates of deposit	<u>14,446,932</u>
Total	\$22,156,256
Less: Restricted investments	<u>3,627,925</u>
 Total unrestricted investments per balance sheet	 <u>\$18,528,331</u>

Interest rate risk: The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk: The City's investment policy limits investments in commercial paper and other corporate debt to the top two highest classifications. The City did not invest in any commercial paper or other corporate debt during the year.

Concentration of credit risk: The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances to be greater than ten percent of its total deposits and investments, further limited to no more than five percent from a single issuer. The City held no such investments during the year.

**(4) Interfund Receivable and Payable Balances**

Interfund balances at June 30, 2016 consisted of the following amounts:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental:		
General	\$ 230,104	\$ 231,905
Road use tax	6,727	21,873
Debt service	-	452,174
Nonmajor funds	984,388	590,773
Internal Service funds	<u>24,430</u>	-
Total governmental	<u>\$1,245,649</u>	<u>\$1,296,725</u>
Business-Type:		
Waterworks	\$ 89,206	\$ 905,034
Sewer rental	537,590	643
Nonmajor funds	<u>490,074</u>	<u>160,117</u>
Total business-type	<u>\$1,116,870</u>	<u>\$1,065,794</u>
 Total due to/from other funds	 <u>\$2,362,519</u>	 <u>\$2,362,519</u>

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(4) Interfund Receivable and Payable Balances - Continued

The City's interfund receivables and payables eliminated what would have been negative cash balances in various funds in the amount of \$1,518,687. The remainder of these balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. In general, these balances will be repaid within one year from year end.

(5) Interfund Transfers

Transfers in and out for the year ended June 30, 2016 were:

Fund	Transfers In	Transfers Out
Governmental:		
General	\$ 911,723	\$ 161,422
Road use tax	185,000	420,000
Debt service	1,001,171	25,200
Nonmajor funds	407,232	1,753,322
Internal Service funds	-	200,000
Total governmental	<u>\$2,505,126</u>	<u>\$2,559,944</u>
Business-Type:		
Waterworks	\$ -	\$ 20,000
Sewer rental	-	20,000
Nonmajor funds	94,818	-
Total business-type	<u>\$ 94,818</u>	<u>\$ 40,000</u>
Total transfers	<u>\$2,599,944</u>	<u>\$2,599,944</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(6) Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,634,356	\$ -	\$ -	\$ 2,634,356
Construction in progress	<u>18,769,338</u>	<u>3,762,553</u>	<u>839,548</u>	<u>21,692,343</u>
Total capital assets, not being depreciated	<u>\$ 21,403,694</u>	<u>\$ 3,762,553</u>	<u>\$839,548</u>	<u>\$ 24,326,699</u>
Capital assets, being depreciated:				
Buildings	\$ 23,789,531	\$ 20,729	\$ 3,650	\$ 23,806,610
Improvements	28,994,904	128,002	-	29,122,906
Equipment	6,295,538	341,411	367,510	6,269,439
Vehicles	9,227,713	685,641	307,896	9,605,458
Infrastructure	<u>86,142,417</u>	<u>1,607,731</u>	<u>-</u>	<u>87,750,148</u>
Total capital assets, being depreciated	<u>\$154,450,103</u>	<u>\$ 2,783,514</u>	<u>\$679,056</u>	<u>\$156,554,561</u>
Less accumulated depreciation for:				
Buildings	\$ 8,995,028	\$ 804,086	\$ 3,431	\$ 9,795,683
Improvements	11,383,056	1,237,339	-	12,620,395
Equipment	4,891,227	410,853	357,457	4,944,623
Vehicles	6,152,085	610,595	281,868	6,480,812
Infrastructure	<u>38,895,487</u>	<u>3,180,905</u>	<u>-</u>	<u>42,076,392</u>
Total accumulated Depreciation	<u>\$ 70,316,883</u>	<u>\$ 6,243,778</u>	<u>\$642,756</u>	<u>\$ 75,917,905</u>
Total capital assets, being depreciated, net	<u>\$ 84,133,220</u>	<u>\$ (3,460,264)</u>	<u>\$ 36,300</u>	<u>\$ 80,636,656</u>
Governmental activities capital assets, net	<u>\$105,536,914</u>	<u>\$ 302,289</u>	<u>\$875,848</u>	<u>\$104,963,355</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	\$ 505,062
Public works	4,606,546
Health and social services	1,475
Culture and recreation	991,344
Community and economic development	62,010
General government	70,340
Internal service funds depreciation is charged to various functions based on their usage of assets	<u>7,001</u>
Total depreciation expense-governmental activities	<u>\$6,243,778</u>

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(6) Capital Assets - continued**

Business-type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 4,823,362	\$ -	\$ -	\$ 4,823,362
Construction in progress	1,139,996	3,064,222	927,069	3,277,149
Total capital assets, not being depreciated	\$ 5,963,358	\$ 3,064,222	\$ 927,069	\$ 8,100,511
Capital assets, being depreciated:				
Buildings	\$ 17,105,741	\$ -	\$ -	\$ 17,105,741
Improvements	3,192,186	21,663	-	3,213,849
Equipment	3,744,956	154,283	79,974	3,819,265
Vehicles	3,278,364	459,341	200,154	3,537,551
Meters, plant, sewer lines and distribution system	91,898,411	1,593,414	200,769	93,291,056
Total capital assets, being depreciated	\$119,219,658	\$ 2,228,701	\$ 480,897	\$120,967,462
Less accumulated depreciation for:				
Buildings	\$ 5,221,613	\$ 408,978	\$ -	\$ 5,630,591
Improvements	2,974,838	21,667	-	2,996,505
Equipment	2,616,515	223,300	72,859	2,766,956
Vehicles	2,098,566	259,286	200,154	2,157,698
Meters, plant, sewer lines and distribution system	37,965,532	2,349,026	200,769	40,113,789
Total accumulated depreciation	\$ 50,877,064	\$ 3,262,257	\$ 473,782	\$ 53,665,539
Total capital assets, being depreciated, net	\$ 68,342,594	\$ (1,033,556)	\$ 7,115	\$ 67,301,923
Business-type activities capital assets, net	\$ 74,305,952	\$ 2,030,666	\$ 934,184	\$ 75,402,434

Depreciation expense was charged to the following business-type activities:

Business-type activities:	
Waterworks	\$1,435,411
Sewer rental	1,328,957
Other business-type funds	497,889
Total depreciation expense-business-type activities	\$3,262,257



**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(7) Pension and Retirement Systems**

The City maintains three pension plans for employees in various departments.

Iowa Public Employees Retirement System

Plan Description. IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary. Except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(7) Pension and Retirement Systems - continued**

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2016 totaled \$712,241.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$5,727,253 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's collective proportion was 0.115203% which was a decrease of 0.001046% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$472,698. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(7) Pension and Retirement Systems - continued**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 86,531	\$ -
Changes in assumptions	157,686	-
Net difference between projected and actual earnings on pension plan investments	-	476,658
Changes in proportion and differences between City contributions and proportionate share of contributions	-	159,468
City contributions subsequent to the measurement date	<u>712,241</u>	<u>-</u>
Total	<u>\$956,458</u>	<u>\$636,126</u>

\$712,241 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2017	\$(204,721)
2018	(204,721)
2019	(204,721)
2020	222,024
2021	230
Total	<u>\$(391,909)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rate of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.5%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum based on 3% inflation and 1% real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(7) Pension and Retirement Systems - continued**

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share Of net pension liability	\$10,027,394	\$5,727,253	\$2,097,629

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the IPERS - At June 30, 2016, the City reported payables to the defined benefit pension plan of \$16,760 for legally required employer contributions and \$11,167 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(7) Pension and Retirement Systems - continued**

*Municipal Fire and Police Retirement System of Iowa (MFPRSI)*

Plan Description - MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City of Mason City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at [www.mfprsi.org](http://www.mfprsi.org).

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation for each additional year of service, up to a maximum of 8 years. Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen, plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members at least 55 years of age with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits - Disability benefits may be either accidental or ordinary. Accidental disability is defined as a permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(7) Pension and Retirement Systems - continued**

Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa, which provides a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2016.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 27.77% for the year ended June 30, 2016.

The City's contributions to MFPRSI for the year ended June 30, 2016 was \$1,534,750.

If approved by the state legislature, state appropriation may further reduce the City's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa, therefore, is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans.

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2016.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(7) Pension and Retirement Systems - continued**

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the City reported a liability of \$9,789,739 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2015, the City's proportion was 0.02083745% which was an increase of 0.00078259% from its proportions measured as of June 30, 2014.

For the year ended June 30, 2016, the City recognized pension expense of \$908,807. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 263,150	\$ 16,732
Changes in assumptions	736,599	-
Net difference between projected and actual earnings on pension plan investments	-	1,007,674
Changes in proportion and differences between City contributions and proportionate share of contributions	398,262	-
City contributions subsequent to the measurement date	<u>1,534,750</u>	<u>-</u>
Total	<u>\$2,932,761</u>	<u>\$1,024,406</u>

\$1,534,750 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$(143,822)
2018	(143,822)
2019	(143,822)
2020	689,138
2021	115,933
Total	<u>\$ 373,605</u>

Actuarial Assumptions The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	3.00%
Salary increase	4.50 to 15.00%, including inflation.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(7) Pension and Retirement Systems - continued**

Investment rate of return 7.5%, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based on weighting equal to 1/12 of the 1971 GAM table and 11/12 of the 1994 GAM table with no projection of future mortality improvement.

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	7.0%	3.8%
Emerging markets debt	3.0	6.5
Domestic equities	12.5	6.0
Master limited partnerships (MLP)	5.0	8.5
International equities	<u>12.5</u>	7.0
<b>Core investments</b>	40.0%	
<b>Tactical asset allocation</b>	35.0	6.0
<b>Private equity</b>	15.0	9.8
Private non-core real estate	5.0	9.3
Private core real estate	<u>5.0</u>	6.8
<b>Real estate</b>	10.0	
Total	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on MFPRSI investments was applied to all periods of projected benefit payments to determine the total pension liability.



**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(7) Pension and Retirement Systems - continued**

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share Of net pension liability	\$17,044,220	\$9,789,739	\$3,762,107

MFPRSI's Fiduciary Net Position - Detailed information about the MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at [www.mfprsi.org](http://www.mfprsi.org).

Payables to MFPRSI - All legally required City contributions and legally required employee contributions which had been withheld from employee wages were remitted by the City to MFPRSI by June 30, 2016.

Firemen Pension Plan

**(A) Plan Description**

The City maintains a contributory defined benefit pension plan for those individuals previously covered under the provisions of Chapter 410 of the Iowa Code. The plan is funded from pension fund reserves. All participants in the plan are presently retired. No information is available regarding actuarially computed liability or assets. As of June 30, 2016, there is one individual receiving benefits in the fire plan.

A summary of financial information relating to the plan as of June 30, 2016 is as follows:

	<u>Fire</u>
Cash and investments	\$6,562
Fund equity	6,624
Pensions paid	7,308

**(B) Summary of Significant Accounting Policies and Plan Asset Matters**

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues for the period.

Method Used to Value Investments

Investments, if any, are non-participating certificates of deposit and are valued at historical cost.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(7) **Pension and Retirement Systems** - continued

(C) Trend Information

Firemen Pension Plan

Fiscal Year	Revenues			Expenses
	Investment Income	Property Taxes	Totals	Benefits
2016	\$ 13	\$ 7,730	\$ 7,743	\$ 7,308
2015	-	7,486	7,486	7,126
2014	-	7,214	7,214	6,917
2013	-	7,201	7,201	6,790
2012	-	6,897	6,897	6,697
2011	7	-	7	6,576
2010	76	-	76	6,457
2009	26	25,170	25,196	9,424
2008	-	15,370	15,370	12,147
2007	210	-	210	11,745

(8) **Deferred Compensation Plan**

The City offers its employees several deferred compensation plans created in accordance with Internal Revenue Code Section 457. These plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency and participation in the plan is optional.

The City does not own or administer the amount deferred by employees and, therefore, the liability and corresponding investment are not reflected in the basic financial statements.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(9) Long-Term Debt**

Long-term debt of the City is as follows:

	<u>Governmental</u>	<u>Business-Type</u>
3.85% to 3.90% Taxable General Obligation bond payable, issued 9/1/06	\$ 345,000	\$ -
3.9% to 4.15% Taxable General Obligation bond payable, issued 9/4/07	245,000	1,430,000
4.00% to 4.10% General Obligation bond payable, issued 7/1/08	780,000	-
4.2% to 4.35% General Obligation bond payable, issued 7/1/08	1,055,000	-
3.25% to 5.00% Taxable General Obligation bond payable, issued 7/1/09	6,515,000	400,000
1.85% to 2.90% General Obligation bond payable, issued 8/1/10	960,000	555,000
1.60% to 2.80% General Obligation bond payable issued 10/1/10	2,305,000	-
1.25% to 1.85% General Obligation bond payable, issued 8/31/11	360,000	-
1.60% to 2.80% General Obligation bond payable, issued 8/31/11	370,000	-
0.60% to 1.70% General Obligation bond payable, issued 8/7/12	900,000	580,000
1.00% to 1.40% General Obligation bond payable, issued 8/7/12	365,000	-
2.00% General Obligation bond payable, issued 8/20/13	545,000	-
2.00% to 2.25% Taxable General Obligation bond payable, issued 9/17/14	2,600,000	2,850,000
2.00% General Obligation bond payable, issued 9/29/15	1,335,000	-
1.75% Water Revenue Capital Loan note payable, issued 2/26/03, callable 6/01/13 at par	-	6,453,000
4.00% Water Revenue bond payable, issued 9/1/06	-	385,000
4.3% to 4.35% Water Revenue bond payable, issued 9/1/07	-	315,000
3.00% Sewer Revenue bond payable, issued 8/15/08	-	9,359,000
Totals	<u>\$18,680,000</u>	<u>\$22,327,000</u>

Bonded Debt:

*General Obligation Debt*

General obligation bonds are direct obligations issued on a pledge of the general taxing power of the City for the payment of the debt.

There were \$24,495,000 of general obligation bonds outstanding as of June 30, 2016. Unmatured general obligation bonds to be paid by governmental funds totaled \$18,680,000. General obligation bonds to be paid by enterprise revenue and, therefore, included as Enterprise Fund obligations totaled \$5,815,000.

During the year ended June 30, 2016, the City issued \$1,335,000 of general obligation bonds. These bonds were used for construction, reconstruction and repair of various public works, parks and utility-related improvements.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(9) Long-Term Debt** - continued

*Water and Sewer Revenue Debt*

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. There were \$16,512,000 of revenue bonds outstanding as of June 30, 2016, payable through 2030. The City, as a requirement of the bonds, maintains certain reserve requirements while these bonds are outstanding. These reserves include a) one-twelfth of the annual interest and principal due in the succeeding year plus b) the lesser of 10% of the original note proceeds or the maximum amount of principal and interest due in any remaining year of the individual issue or 25% of the amount required to be deposited to a) since issue of the bond. One bond also requires the reservation of an improvement amount equal to the lesser of \$5,000 times the number of months since issuance or \$250,000. The combined total required to be reserved is \$2,419,869. The City has reserved \$2,783,610 as of June 30, 2016. The combined principal and interest paid for the current year and total customer net revenues were \$2,165,038 and \$4,910,007, respectively, amounting to approximately 44% of net revenues.

*Tax Increment Financing Revenue Debt*

The City issues bonds to finance its contribution to various development projects in the tax increment districts. The principal and interest on the bonds are paid with the additional taxes generated by the various development projects. As of June 30, 2016, there were no tax increment financing bonds outstanding.

Long-term liability activity for the year ended June 30, 2016, was as follows:

	<u>July 1, 2015</u>	<u>New Issues</u>	<u>Payments</u>	<u>June 30, 2016</u>	<u>Due Within One Year</u>
General obligation:					
Governmental	<u>\$20,675,000</u>	<u>\$1,335,000</u>	<u>\$3,330,000</u>	<u>\$18,680,000</u>	<u>\$3,425,000</u>
Business-type activities:					
Water	<u>\$ 5,055,000</u>	<u>\$ -</u>	<u>\$ 670,000</u>	<u>\$ 4,385,000</u>	<u>\$ 615,000</u>
Sewer	<u>1,730,000</u>	<u>-</u>	<u>300,000</u>	<u>1,430,000</u>	<u>180,000</u>
Total business-type	<u>\$ 6,785,000</u>	<u>\$ -</u>	<u>\$ 970,000</u>	<u>\$ 5,815,000</u>	<u>\$ 795,000</u>
Revenue:					
Business-type:					
Water	<u>\$ 8,301,000</u>	<u>\$ -</u>	<u>\$1,148,000</u>	<u>\$ 7,153,000</u>	<u>\$1,187,000</u>
Sewer	<u>9,930,000</u>	<u>-</u>	<u>571,000</u>	<u>9,359,000</u>	<u>590,000</u>
Total business-type	<u>\$18,231,000</u>	<u>\$ -</u>	<u>\$1,719,000</u>	<u>\$16,512,000</u>	<u>\$1,777,000</u>
Total	<u>\$45,691,000</u>	<u>\$1,335,000</u>	<u>\$6,019,000</u>	<u>\$41,007,000</u>	<u>\$5,997,000</u>

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(9) Long-Term Debt** - continued

At June 30, 2016, the non-revenue debt issued by the City did not exceed its legal debt margin computed as follows:

Total estimated actual valuation - real property	<u>\$1,666,902,366</u>
Debt limit - 5% of total valuation	\$ 83,345,118
Debt applicable to debt limit:	
General obligation bonded debt outstanding	24,495,000
Legal debt margin	<u>\$ 58,850,118</u>

A summary of bond principal and interest maturities by type of bond is as follows:

	Governmental General Obligation		Business-type Activities General Obligation		General Obligation Totals	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 3,425,000	\$ 572,207	\$ 795,000	\$154,481	\$ 4,220,000	\$ 726,688
2018	3,235,000	480,336	810,000	134,676	4,045,000	615,012
2019	2,815,000	386,052	825,000	112,534	3,640,000	498,586
2020	2,050,000	298,988	880,000	89,411	2,930,000	388,399
2021	1,925,000	242,971	795,000	65,312	2,720,000	308,283
2022-2026	3,575,000	684,540	1,710,000	79,686	5,285,000	764,226
2027-2031	1,655,000	145,186	-	-	1,655,000	145,186
	<u>\$18,680,000</u>	<u>\$2,810,280</u>	<u>\$5,815,000</u>	<u>\$636,100</u>	<u>\$24,495,000</u>	<u>\$3,446,380</u>

	Governmental Revenue Obligation		Business-type Activities Revenue Obligation		Revenue Obligation Totals	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ -	\$ -	\$ 1,777,000	\$ 503,430	\$ 1,777,000	\$ 503,430
2018	-	-	1,831,000	446,000	1,831,000	446,000
2019	-	-	1,523,000	387,120	1,523,000	387,120
2020	-	-	1,569,000	341,430	1,569,000	341,430
2021	-	-	1,619,000	294,360	1,619,000	294,360
2022-2026	-	-	5,676,000	806,760	5,676,000	806,760
2027-2031	-	-	2,517,000	152,640	2,517,000	152,640
	<u>\$ -</u>	<u>\$ -</u>	<u>\$16,512,000</u>	<u>\$2,931,740</u>	<u>\$16,512,000</u>	<u>\$2,931,740</u>

**Industrial Revenue Bonds**

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2016, there was one series of Industrial Revenue Bonds outstanding, with a principal amount payable of \$2,843,154.

**(10) Contingent Liabilities**

The City is a defendant in several lawsuits. The City Attorney estimates that the potential claims not covered by insurance resulting from these claims would not materially affect the financial position of the City.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(10) Contingent Liabilities - continued**

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Sales and payroll taxes collected from customers and employees respectively, are subject to audit by federal and state governments. Any adjustments in these amounts may constitute a liability of the City. The amount of changes, if any, made by federal or state governments cannot be determined at this time.

**(11) Risk Management**

As of July 1, 1993 the City established a self-insured medical plan for City employees and families. The plan is administered by and an administration fee paid to Bernie Lowe & Associates. The City is responsible for individual participant coverage of up to \$100,000 of claims annually. Individual claims in excess of \$100,000 and aggregate group claims in excess of approximately \$3,794,888 for the year ended June 30, 2016 are covered by commercial insurance.

All funds of the City participate in the program and make payments to the Employee Health Care Fund (an Internal Service Fund) based on premiums recommended by the program administrator based on historical information. The premiums are based on the amounts needed to pay current year claims and provide a reserve for claims incurred but not reported during the current year.

The City has adopted Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Included in the claims liability at June 30, 2016 is \$907,700 for claims incurred but not reported at that date. Changes in the fund's claims liability amount in fiscal 2016 is as follows:

	Beginning of fiscal year <u>liability</u>	Current year claims and changes <u>in estimates</u>	Claim <u>payments</u>	End of fiscal year <u>liability</u>
Current year	\$793,500	\$4,516,691	\$4,402,491	\$907,700
Prior year	765,100	3,974,962	3,946,562	793,500

In addition to health risks losses, the City is exposed to various other risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City covers these risks through commercial claims-made insurance policies. The costs of this insurance are paid by the general fund and the enterprise funds. There have been no substantial reductions in coverage from prior years.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(12) Deficit Fund Balances/Net Position**

The basic financial statements include individual fund deficits as follows:

Special Revenue Fund:	
CDBS-NIVC	\$ 242
Southside TIF	42,575
Mason City Downtown	26,465
City Administered Grants	7,302
Housing Fund	11,445
Softball Improvement	1,907

The deficit balances in these funds will be eliminated by grant proceeds and interfund transfers from the General Fund.

**(13) Termination Benefits**

As of June 30, 2016, the City had one terminated employee participating in COBRA health care coverage available from the City. COBRA participants pay 100% of the premium for continuing coverage. COBRA continuation coverage benefits are available for eligible employees for 18 months. Upon termination, employees are paid for compensated absences that have been accrued up to termination date.

**(14) Other Postemployment Benefits**

**Plan Descriptions and Funding Policy**

The City sponsors a single-employer health care plan that provides self-insured medical and prescription drug coverage to all active and retired employees and their eligible dependents. Employees must be a minimum of 55 years old and currently be enrolled in the sponsored health insurance plan at the time of retirement to participate. Benefits terminate upon attaining Medicare eligibility.

Eligible retirees receive health care coverage through the same plan that is available for active employees.

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by monthly contributions.

**Funding Policy**

The City, with assistance from their third-party administrators, establishes and amends contribution requirements for both active and retiree members on an annual basis. The current funding policy is to pay health claims as they occur. This arrangement does not qualify as OPEB plan assets under GASB for current GASB reporting.

The required contribution is based on pay-as-you-go financing. For fiscal year 2016, the City contributed \$40,232 and retirees receiving benefits contributed \$186,193 through their required contributions.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(14) Other Postemployment Benefits - continued**

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost (expense) is based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. Fiscal year 2009 was the year of implementation for GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following schedule shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Annual required contribution	\$ 243,056
Interest on net OPEB obligation	21,748
Adjustment to annual required contribution	<u>(60,862)</u>
Annual OPEB cost/expense	\$ 203,942
Contributions and payments made	<u>(40,232)</u>
Increase in net OPEB obligation	\$ 163,710
Net OPEB obligation July 1, 2015	869,934
Net OPEB obligation June 30, 2016	<u><u>\$1,033,644</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are summarized as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$203,942	19.7%	\$1,033,644
June 30, 2015	126,508	27.8	869,934
June 30, 2014	134,239	31.5	778,583
June 30, 2013	180,182	15.4	686,563
June 30, 2012	188,746	19.2	534,129
June 30, 2011	133,033	23.7	383,732

**Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability (AAL) and unfunded actuarial accrued liability (UAAL) for benefits was \$1,752,129. The City's plan is considered to be unfunded since there are no assets and retiree benefits are paid annually on a cash basis. Because the plans are unfunded, the AAL and UAAL are equal. The covered payroll (fiscal year payroll of active employees covered by the plan) was \$14,571,746, and the ratio of the UAAL to the covered payroll was 12.02%.



**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(14) Other Postemployment Benefits - continued**

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. A schedule of funding progress is required to be presented as supplementary information following the notes to the financial statements.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 25% discount rate assuming funding based on the City's funding policy. The projected annual medical trend rate is six percent. The ultimate medical trend rate is six percent and an inflation rate of zero percent is assumed for this computation.

The amortization method is open period. The amortization of the UAAL is being amortized as a level percentage of projected payrolls over a thirty-year time period.

**(15) Commitments**

At June 30, 2016, the following construction and purchase commitments had been made:

	Total Contracts	Costs Incurred
Storm sewer projects	\$ 6,275,237	\$ 4,971,290
Street projects	4,902,522	2,193,374
Water projects	2,170,020	2,519,016
Park & recreation projects	1,449,720	1,296,376
Sewer projects	1,314,477	1,548,048
Community & economic development projects	548,649	438,913
Other	4,214,018	1,324,652
Total	<u>\$20,874,643</u>	<u>\$14,291,669</u>

**(16) Related Party Transactions**

The City had material business transactions between the City and City officials, totaling \$1,002,936 during the year ended June 30, 2016 of which \$857,306 was competitively bid.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(17) Fund Balances**

The details for the City's fund balance for the year ended June 30, 2016 are as follows:

	<u>General</u>	<u>Road Use Tax</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Nonspendable:					
Endowment principal	\$ -	\$ -	\$ -	\$ 570,425	\$ 570,425
Prepaid expenses	139,659	3,096	-	-	142,755
Total nonspendable	<u>\$ 139,659</u>	<u>\$ 3,096</u>	<u>\$ -</u>	<u>\$ 570,425</u>	<u>\$ 713,180</u>
Restricted for:					
Streets and road construction	\$ -	\$2,113,914	\$ -	\$ -	\$ 2,113,914
Employee benefits	-	-	-	5,282,971	5,282,971
Economic development projects	-	-	-	795,697	795,697
Grant qualified projects	-	-	-	80,103	80,103
Street and park improvements	-	-	-	2,225,323	2,225,323
Museum funding	-	-	-	370,262	370,262
Cemetery perpetual care	-	-	-	557,663	557,663
Debt Service	-	-	231,420	-	231,420
Tort liability	902,107	-	-	-	902,107
Total restricted	<u>\$ 902,107</u>	<u>\$2,113,914</u>	<u>\$231,420</u>	<u>\$ 9,312,019</u>	<u>\$12,559,460</u>
Assigned for:					
Airport	\$ 380,077	\$ -	\$ -	\$ -	\$ 380,077
Park & Recreation	960,444	-	-	-	960,444
Museum	-	-	-	683,712	683,712
Library	-	-	-	484,015	484,015
Youth softball complex	-	-	-	31,770	31,770
Total assigned	<u>\$1,340,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,199,497</u>	<u>\$ 2,540,018</u>
Unassigned	<u>\$4,477,546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (88,029)</u>	<u>\$ 4,389,517</u>
Total fund balance	<u>\$6,859,833</u>	<u>\$2,117,010</u>	<u>\$231,420</u>	<u>\$10,993,912</u>	<u>\$20,202,175</u>

**(18) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended June 30, 2016, disbursements did not exceed the amount budgeted.

**(19) Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through January 23, 2017, the date the financial statements were issued.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(19) Subsequent Events - continued**

The City awarded contracts subsequent to June 30 for the following projects:

Street projects	\$ 572,052
Storm sewer projects	436,194
Park and Recreation projects	420,532
Police department projects	360,000
Sewer projects	104,416
Other projects	60,481
Total	<u>\$1,953,675</u>

The City issued \$1,590,000 of general obligation bonds dated August 16, 2016 payable over an eight-year period at an interest rate of 1.2726%.

**(20) New Governmental Accounting Standards Board (GASB) Standards**

The City has implemented the following GASB standards during the fiscal year ended June 30, 2016:

*Statement 72, Fair Value Measurement and Application*; issued February, 2015, will be effective for the fiscal year ending June 30, 2016. The objective of this Statement addresses accounting and financial reporting issues related to fair value measurements. Guidance is also provided for applying fair value to certain investments and disclosures related to all fair value measurements. The required changes have been made to the City's current year financial statements.

*Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; issued June, 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The required changes have been made to the City's current year financial statements.

The Governmental Accounting Standards Board (GASB) has issued six statements not yet implemented by the City. The statements, which might impact the City are as follows:

*Statement 74, Financial Reporting of Postemployment Benefit Plans Other Than Pension Plans*; issued June, 2015, will be effective for the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. Guidance is provided for OPEB plans that administer benefits on behalf of governments.

*Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; issued June, 2015, will be effective for the fiscal year ending June 30, 2017. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). Guidance addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

**CITY OF MASON CITY, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**(20) New Governmental Accounting Standards Board (GASB) Standards - continued**

*Statement 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; issued June, 2015, will be effective for the fiscal year ending June 30, 2017. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). Guidance is provided on the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

*Statement 77, Tax Abatement Disclosures*; issued August, 2015, will be effective for the fiscal year ending June 30, 2017. The objective of this Statement is to require governments that enter into tax abatements to disclose information about the agreements within the financial statements. Guidance is provided regarding disclosure of tax abatement information about 1)a reporting government's own tax abatement agreement and 2)those that are entered into by other governments and that reduce the reporting government's tax revenues.

*Statement 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; issued December, 2015, will be effective for the fiscal year ending June 30, 2017. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information that have the characteristics of pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer.

*Statement 79, Certain External Investment Pools and Pool Participants*; issued December, 2015, will be effective for the fiscal year ending June 30, 2017. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

*Statement 80, Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14*; issued January, 2016, will be effective for the fiscal year ending June 30, 2017. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

*Statement 81, Irrevocable Split-Interest Agreements*; issued March, 2016, will be effective for the fiscal year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

CITY OF MASON CITY, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(20) New Governmental Accounting Standards Board (GASB) Standards - continued

*Statement 82, Pension Issues, An Amendment of GASB Statements No. 67, No. 68, and No. 73; issued March 2016, will be effective for the fiscal year ending June 30, 2017. The objective of this Statement is to address issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contributions requirements.*

The City's management has not yet determined the effect these statements will have on the City's financial statements.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

CITY OF MASON CITY, IOWA  
OTHER POST EMPLOYMENT BENEFIT PLAN  
SCHEDULE OF FUNDING PROGRESS

<b>Fiscal Year Ended</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded (Overfunded) AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
2016	7/1/2015	-	\$1,752,129	\$1,752,129	0.00%	\$14,571,746	12.02%
2015	7/1/2013	-	1,131,586	1,131,586	0.00	12,266,204	9.23
2014	7/1/2013	-	1,167,355	1,167,355	0.00	13,875,756	8.41
2013	7/1/2011	-	1,445,475	1,445,475	0.00	13,727,810	10.53
2012	7/1/2011	-	1,463,752	1,463,752	0.00	14,275,269	10.25
2011	7/1/2009	-	988,388	988,388	0.00	13,670,291	7.23
2010	7/1/2009	-	973,974	973,974	0.00	13,410,686	7.26

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

CITY OF MASON CITY  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*  
 (IN THOUSANDS)  
 JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.115203	0.116249%
City's proportionate share of the net pension liability	\$5,727	\$4,704
City's covered-employee payroll	\$7,941	\$7,763
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.12%	60.60%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

\* The amounts presented for each fiscal year were determined as of June 30.



CITY OF MASON CITY, IOWA  
SCHEDULE OF CITY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS  
(IN THOUSANDS)  
JUNE 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 712	\$ 709	\$ 693	\$ 670
Contributions in relation to the Statutorily required contribution	<u>712</u>	<u>709</u>	<u>693</u>	<u>670</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$7,976	\$7,941	\$7,763	\$7,730
Contributions as percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 649	\$ 540	\$ 509	\$ 478	\$ 437	\$ 404
<u>649</u>	<u>540</u>	<u>509</u>	<u>478</u>	<u>437</u>	<u>404</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$8,048	\$7,776	\$7,668	\$7,530	\$7,219	\$7,022
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

**CITY OF MASON CITY, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**(IN THOUSANDS)**  
**JUNE 30, 2016**

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

CITY OF MASON CITY, IOWA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(IN THOUSANDS)  
JUNE 30, 2016

*Changes of assumptions - continued*

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.

CITY OF MASON CITY, IOWA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA  
LAST FISCAL YEAR\*  
(IN THOUSANDS)  
JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.02083745%	0.02005486%
City's proportionate share of the net pension liability	\$7,554	\$7,270
City's covered-employee payroll	4,833	5,120
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	156.30%	141.99%
Plan fiduciary net position as a percentage of the total pension liability	83.04%	86.27%

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF MASON CITY, IOWA  
SCHEDULE OF CITY CONTRIBUTIONS  
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA  
LAST 10 FISCAL YEARS  
(IN THOUSANDS)  
JUNE 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$1,535	\$1,462	\$1,542	\$1,297
Contributions in relation to the statutorily required contribution	<u>1,535</u>	<u>1,462</u>	<u>1,542</u>	<u>1,297</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$4,523	\$4,833	\$5,120	\$4,965
Contributions as percentage of covered-employee payroll	33.94%	30.41%	30.12%	26.12%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$1,235	\$1,033	\$ 830	\$ 856	\$1,140	\$1,105
<u>1,235</u>	<u>1,033</u>	<u>830</u>	<u>856</u>	<u>1,140</u>	<u>1,105</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$4,987	\$5,189	\$4,883	\$4,569	\$4,473	\$3,984
24.76%	19.90%	17.00%	18.75%	25.48%	27.75%

CITY OF MASON CITY, IOWA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA  
JUNE 30, 2016

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.



**SUPPLEMENTARY  
INFORMATION**

***GOVERNMENTAL FUNDS***

CITY OF MASON CITY, IOWA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2016

	<u>FMA Voluntary Acquisition</u>	<u>Unified TIF</u>	<u>Hotel/ Motel Tax</u>
<b>ASSETS:</b>			
Cash	\$ -	\$597,650	\$109,595
Investments	-	-	-
Receivables:			
Property taxes	-	21,537	-
Succeeding year property taxes	-	-	-
Accrued interest	-	-	-
Special assessments - current	-	15,683	-
Succeeding year special assessments	-	78,415	-
Accounts (net)	-	567	-
Due from other funds	-	159,018	-
Due from state government	109,458	-	-
Due from federal government	-	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
<b>Total assets</b>	<b><u>\$109,458</u></b>	<b><u>\$872,870</u></b>	<b><u>\$109,595</u></b>
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 9,202	\$ 25,000
Salaries payable	368	-	-
Contracts payable	-	-	-
Due to other funds	90,790	-	-
Due to state government	-	-	-
<b>Total liabilities</b>	<b><u>\$ 91,158</u></b>	<b><u>\$ 9,202</u></b>	<b><u>\$ 25,000</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Succeeding year property tax	\$ -	\$ -	\$ -
Succeeding year special assessments	-	78,415	-
<b>Total deferred inflows of     resources</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Total liabilities and deferred         inflows of resources</b>	<b><u>\$ 91,158</u></b>	<b><u>\$ 87,617</u></b>	<b><u>\$ 25,000</u></b>
<b>FUND BALANCES:</b>			
Nonspendable	\$ -	\$ -	\$ -
Restricted	18,300	785,253	84,595
Assigned	-	-	-
Unassigned	-	-	-
<b>Total fund balances</b>	<b><u>\$ 18,300</u></b>	<b><u>\$785,253</u></b>	<b><u>\$ 84,595</u></b>
<b>Total liabilities, deferred inflows         of resources and fund balances</b>	<b><u>\$109,458</u></b>	<b><u>\$872,870</u></b>	<b><u>\$109,595</u></b>

(continued)

<u>Police Retirement</u>	<u>Fire Retirement</u>	<u>Employee Retirement</u>	<u>Library Trust</u>	<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>
\$ - 2,741,516	\$ 35,369 2,451,241	\$ 64,611 -	\$ 81,275 402,645	\$103,312 580,400	\$218,798 25,000
4,644	3,437	10,233	-	-	-
644,942	401,302	488,761	-	-	-
1,258	1,098	-	539	-	32
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	8,936
-	-	-	-	-	571,810
-	-	-	-	-	6,224
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$3,392,360</u>	<u>\$2,892,447</u>	<u>\$ 563,605</u>	<u>\$484,459</u>	<u>\$683,712</u>	<u>\$830,800</u>
\$ 30,943	\$ 20,477	\$ -	\$ 444	\$ -	\$437,740
-	-	-	-	-	484
-	-	-	-	-	11,450
63,611	-	-	-	-	364,539
-	-	-	-	-	599
<u>\$ 94,554</u>	<u>\$ 20,477</u>	<u>\$ -</u>	<u>\$ 444</u>	<u>\$ -</u>	<u>\$814,812</u>
\$ 644,942	\$ 401,302	\$ 488,761	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>\$ 644,942</u>	<u>\$ 401,302</u>	<u>\$ 488,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 739,496	\$ 421,779	\$ 488,761	\$ 444	\$ -	\$814,812
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,652,864	2,470,668	74,844	-	-	72,247
-	-	-	484,015	683,712	33,677
-	-	-	-	-	(89,936)
<u>\$2,652,864</u>	<u>\$2,470,668</u>	<u>\$ 74,844</u>	<u>\$484,015</u>	<u>\$683,712</u>	<u>\$ 15,988</u>
<u>\$3,392,360</u>	<u>\$2,892,447</u>	<u>\$ 563,605</u>	<u>\$484,459</u>	<u>\$683,712</u>	<u>\$830,800</u>

CITY OF MASON CITY, IOWA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2016

	<u>Total Special Revenue</u>	<u>Local Option Capital Improvement</u>	<u>River City Renaissance</u>
<b>ASSETS:</b>			
Cash	\$1,210,610	\$ 427,963	\$342,369
Investments	6,200,802	600,000	-
Receivables:			
Property taxes	39,851	-	-
Succeeding year property taxes	1,535,005	-	-
Accrued interest	2,927	852	-
Special assessments - current	15,683	-	-
Succeeding year special assessments	78,415	-	-
Accounts (net)	567	-	-
Due from other funds	167,954	712,480	-
Due from state government	681,268	167,802	-
Due from federal government	6,224	-	-
Restricted assets:			
Cash	-	-	-
Investments	-	-	-
Accrued interest	-	-	-
<b>Total assets</b>	<b><u>\$9,939,306</u></b>	<b><u>\$1,909,097</u></b>	<b><u>\$342,369</u></b>
<b>LIABILITIES:</b>			
Accounts payable	\$523,806	\$ 23,725	\$ 337
Salaries payable	852	-	-
Contracts payable	11,450	2,014	-
Due to other funds	518,940	67	-
Due to state government	599	-	-
<b>Total liabilities</b>	<b><u>\$1,055,647</u></b>	<b><u>\$ 25,806</u></b>	<b><u>\$ 337</u></b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Succeeding year property tax	\$1,535,005	\$ -	\$ -
Succeeding year special assessments	78,415	-	-
<b>Total deferred inflows of     resources</b>	<b><u>\$1,613,420</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Total liabilities and deferred inflows of resources</b>	<b><u>\$2,669,067</u></b>	<b><u>\$ 25,806</u></b>	<b><u>\$ 337</u></b>
<b>FUND BALANCES:</b>			
Nonspendable	\$ -	\$ -	\$ -
Restricted	6,158,771	1,883,291	342,032
Assigned	1,201,404	-	-
Unassigned	(89,936)	-	-
<b>Total fund balances</b>	<b><u>\$7,270,239</u></b>	<b><u>\$1,883,291</u></b>	<b><u>\$342,032</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b><u>\$9,939,306</u></b>	<b><u>\$1,909,097</u></b>	<b><u>\$342,369</u></b>

(continued)

**SCHEDULE 1**  
**(continued)**

<u>Total Capital Projects</u>	<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$ 770,332	\$ -	\$384,804	\$ 384,804	\$ 2,365,746
600,000	-	570,425	570,425	7,371,227
-	-	-	-	39,851
-	-	-	-	1,535,005
852	-	315	315	4,094
-	-	-	-	15,683
-	-	-	-	78,415
-	-	-	-	567
712,480	103,782	172	103,954	984,388
167,802	-	-	-	849,070
-	-	-	-	6,224
-	20,405	-	20,405	20,405
-	505,051	-	505,051	505,051
-	191	-	191	191
<u>\$2,251,466</u>	<u>\$629,429</u>	<u>\$955,716</u>	<u>\$1,585,145</u>	<u>\$13,775,917</u>
\$ 24,062	\$ -	\$ 15,029	\$ 15,029	\$ 562,897
-	-	-	-	852
2,014	-	-	-	13,464
67	71,766	-	71,766	590,773
-	-	-	-	599
<u>\$ 26,143</u>	<u>\$ 71,766</u>	<u>\$ 15,029</u>	<u>\$ 86,795</u>	<u>\$ 1,168,585</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,535,005
-	-	-	-	78,415
\$ -	\$ -	\$ -	\$ -	\$ 1,613,420
\$ 26,143	\$ 71,766	\$ 15,029	\$ 86,795	\$ 2,782,005
\$ -	\$ -	\$570,425	\$ 570,425	\$ 570,425
2,225,323	557,663	370,262	927,925	9,312,019
-	-	-	-	1,201,404
-	-	-	-	(89,936)
<u>\$2,225,323</u>	<u>\$557,663</u>	<u>\$940,687</u>	<u>\$1,498,350</u>	<u>\$10,993,912</u>
<u>\$2,251,466</u>	<u>\$629,429</u>	<u>\$955,716</u>	<u>\$1,585,145</u>	<u>\$13,775,917</u>

CITY OF MASON CITY, IOWA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2016

	FMA Voluntary Acquisition	Unified TIF	Hotel/ Motel Tax
<b>REVENUES:</b>			
Property taxes	\$ -	\$ -	\$ -
TIF revenues	-	1,451,725	-
Other taxes	-	-	596,047
Intergovernmental	113,684	-	-
Charges for services	-	1,863	-
Use of money and property	-	4,161	-
Special assessments	-	17,561	-
Miscellaneous	-	-	-
Total revenues	<u>\$113,684</u>	<u>\$1,475,310</u>	<u>\$596,047</u>
<b>EXPENDITURES:</b>			
Operating:			
Public safety	\$ -	\$ -	\$ -
Public works	-	-	-
Health & social services	-	-	-
Culture & recreation	-	-	-
Community & economic development	63,131	851,920	-
General government	-	-	492,159
Capital projects	-	43,436	-
Total expenditures	<u>\$ 63,131</u>	<u>\$ 895,356</u>	<u>\$492,159</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 50,553</u>	<u>\$ 579,954</u>	<u>\$103,888</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ -	\$ -
Transfers out	-	(773,536)	(70,000)
Total other financing sources- (uses)	<u>\$ -</u>	<u>\$ (773,536)</u>	<u>\$ (70,000)</u>
Net change in fund balances	\$ 50,553	\$ (193,582)	\$ 33,888
Fund balance (deficit) beginning of year	<u>(32,253)</u>	<u>978,835</u>	<u>50,707</u>
<b>Fund balance (deficit) end of year</b>	<b><u>\$ 18,300</u></b>	<b><u>\$ 785,253</u></b>	<b><u>\$ 84,595</u></b>

(continued)

<u>Police Retirement</u>	<u>Fire Retirement</u>	<u>Employee Retirement</u>	<u>Library Trust</u>	<u>MacNider Museum Foundation</u>	<u>Other Special Revenue</u>
\$ 579,049	\$ 428,482	\$409,512	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	581,158
-	-	-	5,969	-	14,093
253,472	370,499	-	44,415	(32,249)	39,997
-	-	-	-	-	-
-	-	-	46,132	74,079	172,564
<u>\$ 832,521</u>	<u>\$ 798,981</u>	<u>\$409,512</u>	<u>\$ 96,516</u>	<u>\$ 41,830</u>	<u>\$807,812</u>
\$ 810,675	\$ 534,103	\$166,635	\$ -	\$ -	\$ -
-	-	49,648	-	-	-
-	-	8,683	-	-	-
-	-	106,459	37,773	48,288	44,992
-	-	32,829	-	-	825,191
-	-	127,751	-	-	-
-	-	-	3,852	-	12,757
<u>\$ 810,675</u>	<u>\$ 534,103</u>	<u>\$492,005</u>	<u>\$ 41,625</u>	<u>\$ 48,288</u>	<u>\$882,940</u>
<u>\$ 21,846</u>	<u>\$ 264,878</u>	<u>\$ (82,493)</u>	<u>\$ 54,891</u>	<u>\$ (6,458)</u>	<u>\$ (75,128)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,232
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ -	-	\$ 7,232
\$ 21,846	\$ 264,878	\$ (82,493)	\$ 54,891	\$ (6,458)	\$ (67,896)
<u>2,631,018</u>	<u>2,205,790</u>	<u>157,337</u>	<u>429,124</u>	<u>690,170</u>	<u>83,884</u>
<u><b>\$2,652,864</b></u>	<u><b>\$2,470,668</b></u>	<u><b>\$ 74,844</b></u>	<u><b>\$484,015</b></u>	<u><b>\$683,712</b></u>	<u><b>\$ 15,988</b></u>



CITY OF MASON CITY, IOWA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Total Special Revenue</u>	<u>Local Option Capital Improvement</u>	<u>River City Renaissance</u>
<b>REVENUES:</b>			
Property taxes	\$1,417,043	\$ -	\$ -
TIF revenues	1,451,725	-	-
Other taxes	596,047	2,043,131	-
Intergovernmental	694,842	-	-
Charges for services	21,925	-	-
Use of money and property	680,295	3,368	-
Special assessments	17,561	-	-
Miscellaneous	292,775	-	-
Total revenues	<u>\$5,172,213</u>	<u>\$2,046,499</u>	<u>\$ -</u>
<b>EXPENDITURES:</b>			
Operating:			
Public safety	\$1,511,413	\$ -	\$ -
Public works	49,648	-	-
Health & social services	8,683	-	-
Culture & recreation	237,512	-	-
Community & economic development	1,773,071	-	57,968
General government	619,910	-	-
Capital projects	60,045	2,115,003	-
Total expenditures	<u>\$4,260,282</u>	<u>\$2,115,003</u>	<u>\$ 57,968</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 911,931</u>	<u>\$ (68,504)</u>	<u>\$ (57,968)</u>
Other financing sources (uses):			
Transfers in	\$ 7,232	\$ -	\$400,000
Transfers out	<u>(843,536)</u>	<u>(882,253)</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ (836,304)</u>	<u>\$ (882,253)</u>	<u>\$400,000</u>
Net change in fund balances	\$ 75,627	\$ (950,757)	\$342,032
Fund balance (deficit) beginning of year	<u>7,194,612</u>	<u>2,834,048</u>	<u>-</u>
<b>Fund balance (deficit) end of year</b>	<b><u>\$7,270,239</u></b>	<b><u>\$1,883,291</u></b>	<b><u>\$342,032</u></b>

(continued)

SCHEDULE 2  
(continued)

<u>Total Capital Projects</u>	<u>Cemetery Perpetual Care</u>	<u>MacNider Museum Trust</u>	<u>Total Permanent</u>	<u>Total Nonmajor Governmental</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,417,043
-	-	-	-	1,451,725
2,043,131	-	-	-	2,639,178
-	-	-	-	694,842
-	5,766	-	5,766	27,691
3,368	-	4,695	4,695	688,358
-	-	-	-	17,561
-	-	52,117	52,117	344,892
<u>\$2,046,499</u>	<u>\$ 5,766</u>	<u>\$ 56,812</u>	<u>\$ 62,578</u>	<u>\$ 7,281,290</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,511,413
-	-	-	-	49,648
-	-	-	-	8,683
-	-	78,247	78,247	315,759
57,968	-	-	-	1,831,039
-	-	-	-	619,910
2,115,003	-	-	-	2,175,048
<u>\$2,172,971</u>	<u>\$ -</u>	<u>\$ 78,247</u>	<u>\$ 78,247</u>	<u>\$ 6,511,500</u>
<u>\$ (126,472)</u>	<u>\$ 5,766</u>	<u>\$ (21,435)</u>	<u>\$ (15,669)</u>	<u>\$ 769,790</u>
\$ 400,000	\$ -	\$ -	\$ -	\$ 407,232
<u>(882,253)</u>	<u>-</u>	<u>(27,533)</u>	<u>(27,533)</u>	<u>(1,753,322)</u>
<u>\$ (482,253)</u>	<u>-</u>	<u>\$ (27,533)</u>	<u>\$ (27,533)</u>	<u>\$ (1,346,090)</u>
\$ (608,725)	\$ 5,766	\$ (48,968)	\$ (43,202)	\$ (576,300)
<u>2,834,048</u>	<u>551,897</u>	<u>989,655</u>	<u>1,541,552</u>	<u>11,570,212</u>
<u><b>\$2,225,323</b></u>	<u><b>\$557,663</b></u>	<u><b>\$940,687</b></u>	<u><b>\$1,498,350</b></u>	<u><b>\$10,993,912</b></u>

CITY OF MASON CITY, IOWA  
FMA VOLUNTARY ACQUISITION SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Intergovernmental:			
Federal assistance	\$99,200	\$113,684	\$14,484
<b>EXPENDITURES:</b>			
Operating:			
Community & economic development:			
Personal service	\$ 4,200	\$ 6,694	\$ (2,494)
Contractual	10,000	4,540	5,460
Commodities	85,000	51,897	33,103
Total expenditures	<u>\$99,200</u>	<u>\$ 63,131</u>	<u>\$36,069</u>
Net change in fund balance	\$ -	\$ 50,553	\$50,553
Fund balance (deficit) beginning of year	-	(32,253)	(32,253)
<b>Fund balance (deficit) end of year</b>	<b><u>\$ -</u></b>	<b><u>\$ 18,300</u></b>	<b><u>\$18,300</u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY  
 UNIFIED TIF SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
TIF revenues	\$1,430,614	\$1,451,725	\$ 21,111
Charges for services	-	1,863	1,863
Use of money & property	-	4,161	4,161
Special assessments	-	17,561	17,561
Total revenues	<u>\$1,430,614</u>	<u>\$1,475,310</u>	<u>\$ 44,696</u>
<b>EXPENDITURES:</b>			
Operating:			
Community & economic development:			
Contractual	\$ -	\$ 851,920	\$ (851,920)
Other	<u>1,962,631</u>	<u>-</u>	<u>1,962,631</u>
Total community & economic development	<u>\$1,962,631</u>	<u>\$ 851,920</u>	<u>\$ 1,110,711</u>
Capital projects	-	43,436	(43,436)
Total expenditures	<u>\$1,962,631</u>	<u>\$ 895,356</u>	<u>\$ 1,067,275</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (532,017)</u>	<u>\$ 579,954</u>	<u>\$ 1,111,971</u>
Other financing sources (uses):			
Issuance of bonds	\$1,205,000	\$ -	\$ (1,205,000)
Transfers in	5,000	-	(5,000)
Transfers out	<u>(776,671)</u>	<u>(773,536)</u>	<u>3,135</u>
Total other financing sources (uses)	<u>\$ 433,329</u>	<u>\$ (773,536)</u>	<u>\$ (1,206,865)</u>
Net change in fund balance	<u>\$ (98,688)</u>	<u>\$ (193,582)</u>	<u>\$ (94,894)</u>
Fund balance (deficit) beginning of year	<u>-</u>	<u>978,835</u>	<u>978,835</u>
<b>Fund balance (deficit) end of year</b>	<b><u>\$ (98,688)</u></b>	<b><u>\$ 785,253</u></b>	<b><u>\$ 883,941</u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
HOTEL/MOTEL TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Other taxes	\$550,000	\$596,047	\$ 46,047
<b>EXPENDITURES:</b>			
Operating:			
General government:			
Contractual	\$211,000	\$211,000	\$ -
Other	258,750	281,159	(22,409)
Total expenditures	<u>\$469,750</u>	<u>\$492,159</u>	<u>\$ (22,409)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 80,250</u>	<u>\$103,888</u>	<u>\$ 23,638</u>
Other financing sources (uses):			
Transfers out	<u>\$ (70,000)</u>	<u>\$ (70,000)</u>	<u>\$ -</u>
Net change in fund balance	\$ 10,250	\$ 33,888	\$ 23,638
Fund balance (deficit) beginning of year	<u>-</u>	<u>50,707</u>	<u>50,707</u>
<b>Fund balance (deficit) end of year</b>	<b><u>\$ 10,250</u></b>	<b><u>\$ 84,595</u></b>	<b><u>\$ 74,345</u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
POLICE RETIREMENT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Property taxes	\$541,677	\$ 579,049	\$ 37,372
Other taxes	10,221	-	(10,221)
Intergovernmental	26,102	-	(26,102)
Use of money and property:			
Interest on investments	120,000	253,472	133,472
Total revenues	<u>\$698,000</u>	<u>\$ 832,521</u>	<u>\$ 134,521</u>
<b>EXPENDITURES:</b>			
Operating:			
Public safety:			
Pension contributions	\$722,900	\$ 810,675	\$ (87,775)
Commodities	100	-	100
Total expenditures	<u>\$723,000</u>	<u>\$ 810,675</u>	<u>\$ (87,675)</u>
Net change in fund balance	\$ (25,000)	\$ 21,846	\$ 46,846
Fund balance (deficit) beginning of year	<u>-</u>	<u>2,631,018</u>	<u>2,631,018</u>
<b>Fund balance (deficit) end of year</b>	<b><u>\$ (25,000)</u></b>	<b><u>\$2,652,864</u></b>	<b><u>\$2,677,864</u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 FIRE RETIREMENT SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Property taxes	\$400,828	\$ 428,482	\$ 27,654
Other taxes	7,563	-	(7,563)
Intergovernmental	19,609	-	(19,609)
Use of money and property:			
Interest on investments	100,000	370,499	270,499
Total revenues	<u>\$528,000</u>	<u>\$ 798,981</u>	<u>\$ 270,981</u>
<b>EXPENDITURES:</b>			
Operating:			
Public safety:			
Pension contributions	\$552,900	\$ 534,103	\$ 18,797
Commodities	100	-	100
Total expenditures	<u>\$553,000</u>	<u>\$ 534,103</u>	<u>\$ 18,897</u>
Net change in fund balance	\$ (25,000)	\$ 264,878	\$ 289,878
Fund balance (deficit) beginning of year	<u>-</u>	<u>2,205,790</u>	<u>2,205,790</u>
<b>Fund balance (deficit) end of year</b>	<b><u>\$ (25,000)</u></b>	<b><u>\$2,470,668</u></b>	<b><u>\$2,495,668</u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 EMPLOYEE RETIREMENT SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Property taxes	\$ 382,614	\$409,512	\$ 26,898
Other taxes	7,221	-	(7,221)
Intergovernmental	22,163	-	(22,163)
Total revenues	<u>\$ 411,998</u>	<u>\$409,512</u>	<u>\$ 2,486</u>
<b>EXPENDITURES:</b>			
Operating:			
Public safety	\$ 158,497	\$166,635	\$ (8,138)
Public works	53,789	49,648	4,141
Health & social services	9,227	8,683	544
Culture & recreation	117,797	106,459	11,338
Community & economic development	35,496	32,829	2,667
General government	137,192	127,751	9,441
Total expenditures	<u>\$ 511,998</u>	<u>\$492,005</u>	<u>\$ 19,993</u>
Net change in fund balance	\$ (100,000)	\$ (82,493)	\$ 17,507
Fund balance (deficit) beginning of year	<u>-</u>	<u>157,337</u>	<u>157,337</u>
<b>Fund balance (deficit) end of year</b>	<b><u>\$ (100,000)</u></b>	<b><u>\$ 74,844</u></b>	<b><u>\$174,844</u></b>

*See Accompanying Independent Auditor's Report.*



CITY OF MASON CITY, IOWA  
LIBRARY TRUST SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Charges for service	\$ 2,500	\$ 5,969	\$ 3,469
Use of money and property	10,000	44,415	34,415
Miscellaneous	81,500	46,132	(35,368)
Total revenues	<u>\$94,000</u>	<u>\$ 96,516</u>	<u>\$ 2,516</u>
<b>EXPENDITURES:</b>			
Operating:			
Culture & recreation:			
Contractual	\$71,000	\$ 29,405	\$ 41,595
Commodities	7,000	8,368	(1,368)
Total culture & recreation	<u>\$78,000</u>	<u>\$ 37,773</u>	<u>\$ 40,227</u>
Capital projects	16,000	3,852	12,148
Total expenditures	<u>\$94,000</u>	<u>\$ 41,625</u>	<u>\$ 52,375</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 54,891</u>	<u>\$ 54,891</u>
Net change in fund balance	\$ -	\$ 54,891	\$ 54,891
Fund balance (deficit) beginning of year	-	429,124	429,124
<b>Fund balance (deficit) end of year</b>	<u><u>\$ -</u></u>	<u><u>\$484,015</u></u>	<u><u>\$484,015</u></u>

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CITY OF MASON CITY, IOWA  
 22<sup>ND</sup> STREET BUYOUT SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Intergovernmental:			
Federal assistance	\$1,053,181	\$570,644	\$ (482,537)
Miscellaneous	-	148,881	148,881
Total revenues	<u>\$1,053,181</u>	<u>\$719,525</u>	<u>\$ (333,656)</u>
<b>EXPENDITURES:</b>			
Operating:			
Community & economic development:			
Personal service	\$ 30,000	\$ 4,429	\$ 25,571
Contractual	1,005,431	546,107	459,324
Commodities	<u>17,750</u>	<u>149,075</u>	<u>(131,325)</u>
Total community & economic development	<u>\$1,053,181</u>	<u>\$699,611</u>	<u>\$ 353,570</u>
Total expenditures	<u>\$1,053,181</u>	<u>\$699,611</u>	<u>\$ 353,570</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 19,914</u>	<u>\$ 19,914</u>
Net change in fund balance	-	\$ 19,914	\$ 19,914
Fund balance (deficit) beginning of year	-	-	-
<b>Fund balance (deficit) end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 19,914</u></u>	<u><u>\$ 19,914</u></u>

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CITY OF MASON CITY, IOWA  
 SOFTBALL IMPROVEMENT TRUST SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Charges for services	\$10,300	\$ 3,678	\$ (6,622)
Use of money and property	16,200	13,468	(2,732)
Miscellaneous	500	-	(500)
Total revenues	<u>\$27,000</u>	<u>\$17,146</u>	<u>\$ (9,854)</u>
<b>EXPENDITURES:</b>			
Operating:			
Culture & recreation:			
Personal service	\$ 2,500	\$ 2,349	\$ 151
Contractual	1,300	-	1,300
Commodities	18,000	15,765	2,235
Total culture & recreation	<u>\$21,800</u>	<u>\$18,114</u>	<u>\$ 3,686</u>
Capital projects	5,200	6,529	(1,329)
Total expenditures	<u>\$27,000</u>	<u>\$24,643</u>	<u>\$ 2,357</u>
Net change in fund balance	\$ -	\$ (7,497)	\$ (7,497)
Fund balance (deficit) beginning of year	-	5,590	5,590
<b>Fund balance (deficit) end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ (1,907)</u></u>	<u><u>\$ (1,907)</u></u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
YOUTH SOFTBALL COMPLEX TRUST SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Charges for services	\$23,600	\$10,415	\$(13,185)
Use of money and property	<u>13,500</u>	<u>26,529</u>	<u>13,029</u>
Total revenues	<u>\$37,100</u>	<u>\$36,944</u>	<u>\$ (156)</u>
<b>EXPENDITURES:</b>			
Operating:			
Culture & recreation:			
Personal service	\$ 2,500	\$ -	\$ 2,500
Contractual	14,100	5,455	8,645
Commodities	<u>20,500</u>	<u>21,423</u>	<u>(923)</u>
Total culture & recreation	<u>\$37,100</u>	<u>\$26,878</u>	<u>\$ 10,222</u>
Capital projects	<u>-</u>	<u>6,228</u>	<u>(6,228)</u>
Total expenditures	<u>\$37,100</u>	<u>\$33,106</u>	<u>\$ 3,994</u>
Net change in fund balance	\$ -	\$ 3,838	\$ 3,838
Fund balance (deficit) beginning of year	<u>-</u>	<u>29,839</u>	<u>29,839</u>
<b>Fund balance (deficit) end of year</b>	<b><u>\$ -</u></b>	<b><u>\$33,677</u></b>	<b><u>\$ 33,677</u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
CITY ADMINISTERED GRANTS SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Intergovernmental:			
Federal assistance	\$108,234	\$ 4,290	\$ (103,944)
Miscellaneous	<u>          -</u>	<u>8,683</u>	<u>8,683</u>
Total revenues	<u>\$108,234</u>	<u>\$12,973</u>	<u>\$ (95,261)</u>
<b>EXPENDITURES:</b>			
Operating:			
Community & economic development:			
Contractual	\$ 86,397	\$21,398	\$ 64,999
Commodities	<u>21,837</u>	<u>1,552</u>	<u>20,285</u>
Total expenditures	<u>\$108,234</u>	<u>\$22,950</u>	<u>\$ 85,284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (9,977)</u>	<u>\$ (9,977)</u>
Other financing sources (uses):			
Transfers in	<u>\$ -</u>	<u>\$7,232</u>	<u>\$ 7,232</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,745)</u>	<u>\$ (2,745)</u>
Fund balance (deficit) beginning of year	<u>          -</u>	<u>(4,557)</u>	<u>(4,557)</u>
<b>Fund balance (deficit) end of year</b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ (7,302)</u></u></b>	<b><u><u>\$ (7,302)</u></u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
HOUSING SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Intergovernmental:			
Federal assistance	\$165,875	\$ 6,224	\$ (159,651)
Miscellaneous	10,000	-	(10,000)
Total revenues	<u>\$175,875</u>	<u>\$ 6,224</u>	<u>\$ (169,651)</u>
<b>EXPENDITURES:</b>			
Operating:			
Community & economic development:			
Personal service	\$ 10,375	\$ 3,577	\$ 6,798
Contractual	165,500	14,210	151,290
Commodities	-	37	(37)
Total expenditures	<u>\$175,875</u>	<u>\$ 17,824</u>	<u>\$ 158,051</u>
Net change in fund balance	\$ -	\$ (11,600)	\$ (11,600)
Fund balance (deficit) beginning of year	<u>-</u>	<u>155</u>	<u>155</u>
<b>Fund balance (deficit) end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ (11,445)</u></u>	<u><u>\$ (11,445)</u></u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 LHAP SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Intergovernmental:			
Entitlement funds	\$6,000	\$ -	\$ (6,000)
<b>EXPENDITURES:</b>			
Operating:			
Community & economic development:			
Contractual	\$6,000	\$ -	\$ 6,000
Net change in fund balance	\$ -	\$ -	\$ -
Fund balance (deficit) beginning of year	-	8,950	8,950
<b>Fund balance (deficit) end of year</b>	<b><u>\$ -</u></b>	<b><u>\$8,950</u></b>	<b><u>\$ 8,950</u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 HMGP VOLUNTARY ACQUISITION SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Intergovernmental:			
Federal assistance	\$19,211	\$ -	\$ (19,211)
<b>EXPENDITURES</b>			
Operating:			
Community & economic development:			
Personal service	\$ 2,200	-	\$ 2,200
Commodities	17,011	-	17,011
Total expenditures	<u>\$19,211</u>	<u>\$ -</u>	<u>\$ 19,211</u>
Net change in fund balance	\$ -	\$ -	\$ -
Fund balance (deficit) beginning of year	-	30,518	30,518
<b>Fund balance (deficit) end of year</b>	<u><u>\$ -</u></u>	<u><u>\$30,518</u></u>	<u><u>\$ 30,518</u></u>

*See Accompanying Independent Auditor's Report.*



CITY OF MASON CITY, IOWA  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Variance With Budget Positive (Negative)
<b>REVENUES:</b>			
Property tax	\$ 2,795,132	\$ 2,979,210	\$ 184,078
Other taxes	50,405	-	(50,405)
Use of money and property	-	5,553	5,553
Miscellaneous	35,000	-	(35,000)
Total revenues	<u>\$ 2,880,537</u>	<u>\$ 2,984,763</u>	<u>\$ 104,226</u>
<b>EXPENDITURES:</b>			
Debt service:			
Principal redemption	\$ 4,300,000	\$ 3,330,000	\$ 970,000
Interest payments	872,190	653,668	218,522
Contractual	14,000	37,374	(23,374)
Total expenditures	<u>\$ 5,186,190</u>	<u>\$ 4,021,042</u>	<u>\$ 1,165,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,305,653)</u>	<u>\$ (1,036,279)</u>	<u>\$ 1,269,374</u>
Other financing sources (uses):			
Issuance of general obligation bonds	\$ -	\$ 58,295	\$ 58,295
Discount on bonds issued	-	30,853	30,853
Transfers in	2,160,511	1,001,171	(1,159,340)
Transfers out	-	(25,200)	(25,200)
Total other financing sources (uses)	<u>\$ 2,160,511</u>	<u>\$ 1,065,119</u>	<u>\$ (1,095,392)</u>
Net change in fund balance	\$ (145,142)	\$ 28,840	\$ 173,982
Fund balance (deficit) beginning of year	-	202,580	202,580
<b>Fund balance (deficit) end of year</b>	<u><b>\$ (145,142)</b></u>	<u><b>\$ 231,420</b></u>	<u><b>\$ 376,562</b></u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 LOCAL OPTION CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Other taxes	\$ 1,700,000	\$2,043,131	\$ 343,131
Use of money and property	-	3,368	3,368
Miscellaneous	192,000	-	(192,000)
Total revenues	<u>\$ 1,892,000</u>	<u>\$2,046,499</u>	<u>\$ 154,499</u>
<b>EXPENDITURES:</b>			
Capital projects	<u>\$ 3,122,000</u>	<u>\$2,115,003</u>	<u>\$1,006,997</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (1,230,000)	\$ (68,504)	\$1,161,496
Other financing sources (uses):			
Transfers in	\$ 400,000	\$ -	\$ (400,000)
Transfers out	<u>(692,874)</u>	<u>(882,253)</u>	<u>(189,379)</u>
Total other financing sources (uses)	<u>\$ (292,874)</u>	<u>\$ (882,253)</u>	<u>\$ (589,379)</u>
Net change in fund balance	\$ (1,522,874)	\$ (950,757)	\$ 572,117
Fund balance (deficit) beginning of year	<u>-</u>	<u>2,834,048</u>	<u>2,834,048</u>
<b>Fund balance (deficit) end of year</b>	<b><u>\$ (1,522,874)</u></b>	<b><u>\$1,883,291</u></b>	<b><u>\$3,406,165</u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
 RIVER CITY RENAISSANCE CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET TO ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
None			
<b>EXPENDITURES:</b>			
Operating:			
Public works:			
Contractual	\$ 100,000	\$ 57,933	\$ 42,067
Commodities	<u>          -</u>	<u>          35</u>	<u>        (35)</u>
Total expenditures	<u>\$ 100,000</u>	<u>\$ 57,968</u>	<u>\$ 42,032</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (100,000)</u>	<u>\$ (57,968)</u>	<u>\$ 42,032</u>
Other financing sources (uses):			
Transfers in	<u>\$          -</u>	<u>\$400,000</u>	<u>\$400,000</u>
Net change in fund balance	\$ (100,000)	\$342,032	\$442,032
Fund balance (deficit) beginning of year	<u>          -</u>	<u>          -</u>	<u>          -</u>
<b>Fund balance (deficit) end of year</b>	<b><u>\$ (100,000)</u></b>	<b><u>\$342,032</u></b>	<b><u>\$442,032</u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
MACNIDER MUSUEM TRUST PERMANENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Use of money and property	\$ 8,500	\$ 4,695	\$ (3,805)
Miscellaneous	<u>91,500</u>	<u>52,117</u>	<u>(39,383)</u>
Total revenues	<u>\$100,000</u>	<u>\$ 56,812</u>	<u>\$ (43,188)</u>
<b>EXPENDITURES:</b>			
Operating:			
Culture & recreation:			
Commodities	\$ 50,880	\$ 78,247	\$ (27,367)
Capital projects	<u>65,000</u>	<u>-</u>	<u>65,000</u>
Total expenditures	<u>\$115,880</u>	<u>\$ 78,247</u>	<u>\$ 37,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (15,880)</u>	<u>\$ (21,435)</u>	<u>\$ (5,555)</u>
Other financing sources (uses):			
Transfers out	<u>\$ -</u>	<u>\$ (27,533)</u>	<u>\$ (27,533)</u>
Net change in fund balance	\$ (15,880)	\$ (48,968)	\$ (33,088)
Fund balance (deficit) beginning of year	<u>-</u>	<u>989,655</u>	<u>989,655</u>
<b>Fund balance (deficit) end of year</b>	<b><u>\$ (15,880)</u></b>	<b><u>\$940,687</u></b>	<b><u>\$956,567</u></b>

*See Accompanying Independent Auditor's Report.*

***ENTERPRISE FUNDS***

CITY OF MASON CITY  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016

	<u>Cemetery</u>	<u>Storm Sewer</u>
<b>ASSETS:</b>		
Current assets:		
Cash	\$ 48,739	\$ -
Investments (at cost)	50	150,000
Receivables:		
Property taxes	1,679	-
Succeeding year property taxes	147,369	-
Accounts (net)	18,702	34,190
Accrued interest	54	109
Inventory	3,696	-
Due from other funds	71,766	331,380
Prepaid insurance	243	-
Total current assets	<u>\$ 292,298</u>	<u>\$ 515,679</u>
Noncurrent assets:		
Property, plant and equipment:		
Land	\$ -	\$ -
Buildings	47,699	-
Equipment	188,754	24,728
Sewer lines and lifts	-	5,429,715
Improvements	523,238	-
Vehicles	76,006	-
Construction in progress	53,295	397,755
Total property, plant and equipment	<u>888,992</u>	<u>5,852,198</u>
Less accumulated depreciation	<u>(550,784)</u>	<u>(2,609,161)</u>
Net property, plant and equipment	<u>\$ 338,208</u>	<u>\$3,243,037</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Pension related deferred outflows	\$ 20,938	\$ -
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 651,444</u></b>	<b><u>\$3,758,716</u></b>

*See Accompanying Independent Auditor's Report.*

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 11,983	\$ 9,183	\$ -	\$ 430,108	\$ 500,013
100,000	-	-	-	250,050
-	-	-	-	1,679
-	-	-	-	147,369
162,251	8,180	2,277	712,611	938,211
30	-	-	76	269
-	4,216	-	72,423	80,335
36,046	-	-	50,882	490,074
444	699	-	-	1,386
<u>\$ 310,754</u>	<u>\$ 22,278</u>	<u>\$ 2,277</u>	<u>\$1,266,100</u>	<u>\$ 2,409,386</u>
\$ -	\$ 196,813	\$4,143,120	\$ -	\$ 4,339,933
461,278	633,988	-	425,272	1,568,237
12,606	442,227	-	625,370	1,293,685
-	-	-	-	5,429,715
-	105,620	2,584,991	-	3,213,849
909,410	18,533	13,000	1,168,642	2,185,591
-	-	-	-	451,050
<u>1,383,294</u>	<u>1,397,181</u>	<u>6,741,111</u>	<u>2,219,284</u>	<u>18,482,060</u>
<u>(790,005)</u>	<u>(722,931)</u>	<u>(2,597,629)</u>	<u>(1,044,966)</u>	<u>(8,315,476)</u>
<u>\$ 593,289</u>	<u>\$ 674,250</u>	<u>\$4,143,482</u>	<u>\$1,174,318</u>	<u>\$10,166,584</u>
<u>\$ 63,627</u>	<u>\$ 29,461</u>	<u>\$ 4,303</u>	<u>\$ 441,577</u>	<u>\$ 559,906</u>
<u><b>\$ 967,670</b></u>	<u><b>\$ 725,989</b></u>	<u><b>\$4,150,062</b></u>	<u><b>\$2,881,995</b></u>	<u><b>\$13,135,876</b></u>

CITY OF MASON CITY  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016

	<u>Cemetery</u>	<u>Storm Sewer</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	\$ 4,919	\$ 751
Salaries payable	8,420	-
Contracts payable	-	28,170
Accrued vacation payable	10,506	-
Due to other funds	103,782	-
Due to state government	-	-
Prepaid interments	28,349	-
Total current liabilities	<u>\$155,976</u>	<u>\$ 28,921</u>
Long-term debt:		
Net OPEB obligation	\$ 14,886	\$ 7,753
Net pension liability	126,244	-
Total long-term debt	<u>\$141,130</u>	<u>\$ 7,753</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Succeeding year property taxes	\$147,369	\$ -
Pension related deferred inflows	12,883	-
Total deferred inflows of resources	<u>\$160,252</u>	<u>\$ -</u>
Total liabilities and deferred inflows of resources	<u>\$457,358</u>	<u>\$ 36,674</u>
<b>NET POSITION:</b>		
Net investment in capital assets	\$338,208	\$3,243,037
Unrestricted	(144,122)	479,005
Total net position	<u><b>\$194,086</b></u>	<u><b>\$3,722,042</b></u>



<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$ 30,656	\$ 40,344	\$ 300	\$ 118,110	\$ 195,080
24,348	11,078	1,688	48,898	94,432
-	-	-	-	28,170
43,226	19,010	9,099	78,492	160,333
3,793	-	52,074	468	160,117
-	1,978	-	-	1,978
-	-	-	-	28,349
<u>\$102,023</u>	<u>\$ 72,410</u>	<u>\$ 63,161</u>	<u>\$ 245,968</u>	<u>\$ 668,459</u>
\$ 59,957	\$ 9,820	\$ 4,562	\$ 51,583	\$ 148,561
<u>378,919</u>	<u>176,297</u>	<u>25,773</u>	<u>1,517,828</u>	<u>2,225,061</u>
<u>\$438,876</u>	<u>\$186,117</u>	<u>\$ 30,335</u>	<u>\$1,569,411</u>	<u>\$ 2,373,622</u>
\$ -	\$ -	\$ -	\$ -	\$ 147,369
<u>44,790</u>	<u>19,724</u>	<u>2,863</u>	<u>71,013</u>	<u>151,273</u>
<u>\$ 44,790</u>	<u>\$ 19,724</u>	<u>\$ 2,863</u>	<u>\$ 71,013</u>	<u>\$ 298,642</u>
<u>\$585,689</u>	<u>\$278,251</u>	<u>\$ 96,359</u>	<u>\$1,886,392</u>	<u>\$ 3,340,723</u>
\$593,289	\$674,250	\$4,143,482	\$1,174,318	\$10,166,584
<u>(211,308)</u>	<u>(226,512)</u>	<u>(89,779)</u>	<u>(178,715)</u>	<u>(371,431)</u>
<u><b>\$381,981</b></u>	<u><b>\$447,738</b></u>	<u><b>\$4,053,703</b></u>	<u><b>\$ 995,603</b></u>	<u><b>\$ 9,795,153</b></u>

CITY OF MASON CITY  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Cemetery</u>	<u>Storm Sewer</u>
<b>Operating revenues:</b>		
Charges for service	\$ 94,701	\$ 289,936
<b>Operating expenses:</b>		
Business-type activities:		
Personal service	\$ 259,109	\$ 1,417
Contractual	15,713	-
Commodities	23,714	5,295
Other	7,357	-
Depreciation	33,255	183,061
Total operating expenses	<u>\$ 339,148</u>	<u>\$ 189,773</u>
Operating income (loss)	<u>\$ (244,447)</u>	<u>\$ 100,163</u>
<b>Nonoperating revenues (expenses):</b>		
Property taxes	\$ 148,886	\$ -
Intergovernmental	-	-
Fines and forfeitures	-	-
Use of money and property	28,919	1,287
Miscellaneous	42,680	901
Gain (loss) on disposal of assets	<u>-</u>	<u>-</u>
Total nonoperating revenue (expenses)	<u>\$ 220,485</u>	<u>\$ 2,188</u>
Income (loss) before contributions and transfers	<u>\$ (23,962)</u>	<u>\$ 102,351</u>
<b>Contributions and transfers:</b>		
Transfers in	\$ 25,200	\$ -
Capital contributions	-	294,865
Total contributions and transfers	<u>\$ 25,200</u>	<u>\$ 294,865</u>
Change in net position	\$ 1,238	\$ 397,216
Net position beginning of year	<u>192,848</u>	<u>3,324,826</u>
<b>Net position end of year</b>	<b><u>\$ 194,086</u></b>	<b><u>\$3,722,042</u></b>

*See Accompanying Independent Auditor's Report.*

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
<u>\$1,387,841</u>	<u>\$ 363,652</u>	<u>\$ 56,929</u>	<u>\$1,841,726</u>	<u>\$4,034,785</u>
\$ 807,636	\$ 256,857	\$ 60,824	\$1,212,028	\$2,597,871
310,320	54,350	68,136	244,336	692,855
78,940	101,902	-	185,047	394,898
307	1,765	-	45,390	54,819
71,398	41,632	320	168,223	497,889
<u>\$1,268,601</u>	<u>\$ 456,506</u>	<u>\$ 129,280</u>	<u>\$1,855,024</u>	<u>\$4,238,332</u>
<u>\$ 119,240</u>	<u>\$ (92,854)</u>	<u>\$ (72,351)</u>	<u>\$ (13,298)</u>	<u>\$ (203,547)</u>
\$ -	\$ -	\$ -	\$ -	\$ 148,886
-	-	-	4,770	4,770
-	-	27,347	-	27,347
140	31,374	-	1,049	62,769
1,372	1,500	-	10,285	56,738
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,964</u>	<u>6,964</u>
<u>\$ 1,512</u>	<u>\$ 32,874</u>	<u>\$ 27,347</u>	<u>\$ 23,068</u>	<u>\$ 307,474</u>
<u>\$ 120,752</u>	<u>\$ (59,980)</u>	<u>\$ (45,004)</u>	<u>\$ 9,770</u>	<u>\$ 103,927</u>
\$ -	\$ 69,618	\$ -	\$ -	\$ 94,818
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,865</u>
<u>\$ -</u>	<u>\$ 69,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 389,683</u>
\$ 120,752	\$ 9,638	\$ (45,004)	\$ 9,770	\$ 493,610
<u>261,229</u>	<u>438,100</u>	<u>4,098,707</u>	<u>985,833</u>	<u>9,301,543</u>
<u><b>\$ 381,981</b></u>	<u><b>\$ 447,738</b></u>	<u><b>\$4,053,703</b></u>	<u><b>\$ 995,603</b></u>	<u><b>\$9,795,153</b></u>

CITY OF MASON CITY, IOWA  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016

	<u>Cemetery</u>	<u>Storm Sewer</u>
Cash flows from operating activities:		
Cash received from customers	\$ 98,912	\$ 291,918
Cash paid to employees for services	(257,559)	-
Cash paid to other suppliers of goods or services	(75,029)	(312,092)
Proceeds from miscellaneous items	<u>42,680</u>	<u>901</u>
Net cash provided (used) by operating activities	<u>\$ (190,996)</u>	<u>\$ (19,273)</u>
Cash flows from non-capital financing activities:		
Proceeds from property tax levy	\$ 148,835	\$ -
Transfers in	<u>25,200</u>	<u>-</u>
Net cash provided (used) by non-capital financing activities	<u>\$ 174,035</u>	<u>\$ -</u>
Cash flows from capital and related financing activities:		
Net acquisition of capital assets	\$ (52,043)	\$ (499,413)
Cash flows from investing activities:		
Proceeds from sale of investments	\$ 26,221	\$1,020,152
Purchase of investments	(15,000)	(595,000)
Interest received	20,652	1,770
Rent received on investment property	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>\$ 31,873</u>	<u>\$ 426,922</u>
Net increase (decrease) in cash	\$ (37,131)	\$ (91,764)
Cash beginning of year	<u>85,870</u>	<u>91,764</u>
<b>Cash end of year</b>	<b><u>\$ 48,739</u></b>	<b><u>\$ -</u></b>

(continued)

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$1,382,387	\$ 399,995	\$ 59,746	\$ 2,037,449	\$ 4,270,407
(814,243)	(286,594)	(60,434)	(1,332,571)	(2,751,401)
(474,229)	(160,810)	(26,659)	(422,366)	(1,471,185)
<u>1,372</u>	<u>1,500</u>	<u>27,347</u>	<u>10,285</u>	<u>84,085</u>
\$ 95,287	\$ (45,909)	\$ -	\$ 292,797	\$ 131,906
\$ -	\$ -	\$ -	\$ -	\$ 148,835
<u>-</u>	<u>69,618</u>	<u>-</u>	<u>-</u>	<u>94,818</u>
\$ -	\$ 69,618	\$ -	\$ -	\$ 243,653
\$ (150,692)	\$ (62,286)	\$ -	\$ (300,915)	\$ (1,065,349)
\$ 100,000	\$ -	\$ -	\$ 400,000	\$ 1,546,373
(100,000)	-	-	(200,000)	(910,000)
128	9	-	177	22,736
<u>-</u>	<u>24,541</u>	<u>-</u>	<u>-</u>	<u>24,541</u>
\$ 128	\$ 24,550	\$ -	\$ 200,177	\$ 683,650
\$ (55,277)	\$ (14,027)	\$ -	\$ 192,059	\$ (6,140)
<u>67,260</u>	<u>23,210</u>	<u>-</u>	<u>238,049</u>	<u>506,153</u>
<u><b>\$ 11,983</b></u>	<u><b>\$ 9,183</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 430,108</b></u>	<u><b>\$ 500,013</b></u>

CITY OF MASON CITY, IOWA  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016

	<u>Cemetery</u>	<u>Storm Sewer</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ (244,447)	\$ 100,163
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation and amortization expense	33,255	183,061
Miscellaneous income	42,680	901
Change in assets and liabilities:		
(Increase) decrease in receivables	(10,348)	2,440
(Increase) decrease in inventory	(1,986)	-
(Increase) decrease in due from other funds	(8,310)	(291,775)
(Increase) decrease in prepaid insurance	865	-
(Increase) decrease in deferred outflows	12,141	-
Increase (decrease) in accounts and contracts payable	1,990	(15,480)
Increase (decrease) in salaries payable	2,206	-
Increase (decrease) in accrued compensated absences	1,558	-
Increase (decrease) in due to other funds	(58)	-
Increase (decrease) in due to state government	-	-
Increase (decrease) in prepaid interments	(4,932)	-
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in net OPEB obligation	2,770	1,417
Increase (decrease) in net pension liability	23,212	-
Increase (decrease) in deferred inflows	(41,592)	-
 <b>Net cash provided (used) by operating         activities</b>	 <b><u>\$ (190,996)</u></b>	 <b><u>\$ (19,273)</u></b>

*See Accompanying Independent Auditor's Report.*

<u>Solid Waste</u>	<u>Golf Course</u>	<u>Parking Lots</u>	<u>Ambulance</u>	<u>Total</u>
\$119,240	\$ (92,854)	\$ (72,381)	\$ (13,298)	\$ (203,547)
71,398	41,632	320	168,223	497,889
1,372	1,500	27,347	10,285	84,085
(5,466)	-	2,992	195,823	185,441
-	(1,313)	-	(3,335)	(6,634)
(29,745)	-	-	(50,882)	(380,712)
(67)	1,174	-	1,580	3,552
36,815	17,060	2,493	91,166	159,675
(58,128)	4,177	(382)	71,565	3,742
5,200	2,525	399	17,383	27,713
(4,367)	4,324	787	1,782	4,084
3,290	(50)	42,284	(294)	45,172
-	(476)	-	-	(476)
-	-	-	-	(4,932)
-	-	(600)	-	(600)
10,310	1,887	439	9,861	26,684
66,058	31,393	4,602	452,067	577,332
(120,623)	(56,888)	(8,330)	(659,129)	(886,562)
<u>\$ 95,287</u>	<u>\$ (45,909)</u>	<u>\$ -</u>	<u>\$ 292,797</u>	<u>\$ 131,906</u>

***INTERNAL SERVICE FUNDS***



CITY OF MASON CITY, IOWA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
<b>ASSETS:</b>			
Current assets:			
Cash	\$123,115	\$ 302,190	\$ 425,305
Investments (at cost)	-	751,971	751,971
Receivables:			
Property taxes	-	10,466	10,466
Succeeding year property taxes	-	1,100,233	1,100,233
Accrued interest	-	489	489
Due from other funds	24,430	-	24,430
Total current assets	<u>\$147,545</u>	<u>\$2,165,349</u>	<u>\$2,312,894</u>
Noncurrent assets:			
Property, plant and equipment:			
Equipment	\$114,027	\$ -	\$ 114,027
Vehicles	85,174	-	85,174
Total property, plant and equipment	\$199,201	\$ -	\$ 199,201
Less accumulated depreciation	<u>(175,100)</u>	<u>-</u>	<u>(175,100)</u>
Net property, plant and equipment	<u>\$ 24,101</u>	<u>\$ -</u>	<u>\$ 24,101</u>
<b>Total assets</b>	<b><u>\$171,646</u></b>	<b><u>\$2,165,349</u></b>	<b><u>\$2,336,995</u></b>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	\$ 9,517	\$ 943,764	\$ 953,281
Salaries payable	6,202	-	6,202
Accrued vacation payable	10,656	-	10,656
Unearned revenue	-	9,283	9,283
Total current liabilities	<u>\$ 26,375</u>	<u>\$ 953,047</u>	<u>\$ 979,422</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Succeeding year property taxes	<u>\$ -</u>	<u>\$1,100,233</u>	<u>\$1,100,233</u>
Total liabilities and deferred inflows of resources	<u>\$ 26,375</u>	<u>\$2,053,280</u>	<u>\$2,079,655</u>
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 24,101	\$ -	\$ 24,101
Unrestricted	<u>121,170</u>	<u>112,069</u>	<u>233,239</u>
<b>Total net position</b>	<b><u>\$145,271</u></b>	<b><u>\$ 112,069</u></b>	<b><u>\$ 257,340</u></b>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
<b>Operating revenues:</b>			
Charges for services	\$250,718	\$ -	\$ 250,718
Health insurance contributions	-	3,210,392	3,210,392
Total operating revenues	<u>\$250,718</u>	<u>\$ 3,210,392</u>	<u>\$ 3,461,110</u>
<b>Operating expenses:</b>			
Business-type activities:			
Personal services	\$207,052	\$ 4,391,183	\$ 4,598,235
Contractual	11,219	-	11,219
Commodities	21,680	-	21,680
Other	8,960	-	8,960
Depreciation	7,001	-	7,001
Total operating expenses	<u>\$255,912</u>	<u>\$ 4,391,183</u>	<u>\$ 4,647,095</u>
Operating income (loss)	<u>\$ (5,194)</u>	<u>\$ (1,180,791)</u>	<u>\$ (1,185,985)</u>
<b>Nonoperating revenues (expenses):</b>			
Property taxes	\$ -	\$ 1,304,912	\$ 1,304,912
Use of money and property	-	29,322	29,322
Total nonoperating revenues (expenses)	<u>\$ -</u>	<u>\$ 1,334,234</u>	<u>\$ 1,334,234</u>
Income (loss) before contributions and transfers	<u>\$ (5,194)</u>	<u>\$ 153,443</u>	<u>\$ 148,249</u>
<b>Contributions and transfers:</b>			
Transfers in	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Change in net position	\$ (5,194)	\$ (46,557)	\$ (51,751)
Net position beginning of year	<u>150,465</u>	<u>158,626</u>	<u>309,091</u>
<b>Net position end of year</b>	<u><u>\$145,271</u></u>	<u><u>\$ 112,069</u></u>	<u><u>\$ 257,340</u></u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from interfund charges	\$246,645	\$ 2,680,480	\$ 2,927,125
Cash received from employees and others	-	656,610	656,610
Cash paid to employees for services	(205,681)	-	(205,681)
Cash paid to other suppliers of goods or services	(33,850)	-	(33,850)
Cash paid for health and life insurance	-	(4,451,113)	(4,451,113)
Net cash provided (used) by operating activities	<u>\$ 7,114</u>	<u>\$ (1,114,023)</u>	<u>\$ (1,106,909)</u>
Cash flows from non-capital financing activities:			
Proceeds from property tax levy	\$ -	\$ 1,306,534	\$ 1,306,534
Transfers Out	-	(200,000)	(200,000)
Net cash provided by non-capital financing activities	<u>\$ -</u>	<u>\$ 1,106,534</u>	<u>\$ 1,106,534</u>
Cash flows from capital and related financing activities:			
Net acquisition of capital assets	\$ (9,700)	-	\$ (9,700)
Cash flows from investing activities:			
Proceeds from sale of investments	\$ -	\$ 950,500	\$ 950,500
Purchase of investments	-	(750,000)	(750,000)
Interest received	-	17,630	17,630
Net cash provided (used) by investing activities	<u>\$ -</u>	<u>\$ 218,130</u>	<u>\$ 218,130</u>
Net increase in cash	\$ (2,586)	\$ 210,641	\$ 208,055
Cash beginning of year	<u>125,701</u>	<u>91,549</u>	<u>217,250</u>
<b>Cash end of year</b>	<b><u><u>\$123,115</u></u></b>	<b><u><u>\$ 302,190</u></u></b>	<b><u><u>\$ 425,305</u></u></b>
Noncash capital, investing and financing activities:			
Decrease in fair market value of investments	<u>\$ -</u>	<u>\$ 15,388</u>	<u>\$ 15,388</u>

(continued)

CITY OF MASON CITY, IOWA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2016

	<u>Central Services</u>	<u>Employee Health Care</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (5,194)	\$ (1,180,791)	\$ (1,185,985)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization expense	7,001	-	7,001
Change in assets and liabilities:			
(Increase) decrease in due from other funds	(4,073)	-	(4,073)
(Increase)decrease in prepaid insurance	89	-	89
Increase (decrease) in accounts payable	7,921	67,237	75,158
Increase (decrease) in salaries payable	1,566	-	1,566
Increase (decrease) in compensated absences	(196)	-	(196)
Increase (decrease) in unearned revenue	-	(469)	(469)
 <b>Net cash provided (used) by operating activities</b>	 <b><u>\$ 7,114</u></b>	 <b><u>\$ (1,114,023)</u></b>	 <b><u>\$ (1,106,909)</u></b>

*See Accompanying Independent Auditor's Report.*

***CAPITAL ASSETS USED  
IN  
OPERATIONS***

CITY OF MASON CITY, IOWA  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY SOURCE  
 JUNE 30, 2016

## General capital assets:

Land	\$ 2,634,356
Buildings	23,806,609
Improvements	29,122,907
Equipment	6,155,411
Vehicles	9,520,284
Infrastructure	87,750,149
Construction in progress	<u>21,692,343</u>

**Total general capital assets****\$180,682,059**

## Investment in general capital assets by source:

General fund	<u>\$180,682,059</u>
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This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
JUNE 30, 2016

<u>Function and Activity</u>	<u>Total</u>	<u>Land</u>
Public Safety:		
Police	\$ 3,690,827	\$ 115,000
Fire	4,812,324	75,150
Civil Defense	225,118	-
Building	46,397	-
Inspectors	39,024	-
Neighborhood Services	821,656	-
Total public safety	<u>\$ 9,635,346</u>	<u>\$ 190,150</u>
Public Works:		
Airport	\$ 29,610,739	\$1,725,891
Street	5,439,357	31,363
Infrastructure	88,775,003	-
Arborist	143,645	-
Engineer	212,313	-
Total public works	<u>\$124,181,057</u>	<u>\$1,757,254</u>
Health and Social Services:		
Youth Task Force	\$ 23,031	\$ -
Health	20,660	-
Human Rights	4,769	-
Total health and social services	<u>\$ 48,460</u>	<u>\$ -</u>
Culture and Recreation:		
Parks	\$ 28,386,937	\$ 673,452
Swimming Pool	3,247,021	-
Recreation	449,335	-
Library	10,082,534	13,500
Museum	1,727,476	-
Band	2,881	-
Total culture and recreation	<u>\$ 43,896,184</u>	<u>\$ 686,952</u>
Community and Economic Development:		
Growth Development and Planning	\$ 12,796	\$ -
Transit	1,348,506	-
Total community and economic development	<u>\$ 1,361,302</u>	<u>\$ -</u>
General Government:		
Mayor	\$ 3836	\$ -
Council/Coffee room	10,775	-
Administrator	16,650	-
Finance	55,696	-
Clerk	3,920	-
City Hall	1,424,595	-
Safety Director	2,019	-
GIS	42,219	-
Total general government	<u>\$ 1,559,710</u>	<u>\$ -</u>
<b>Total general capital assets</b>	<b><u>\$180,682,059</u></b>	<b><u>\$2,634,356</u></b>

*See Accompanying Independent Auditor's Report.*

<b><u>Buildings and Structures</u></b>	<b><u>Improvements Other Than Buildings</u></b>	<b><u>Machinery &amp; Equipment</u></b>	<b><u>Vehicles</u></b>	<b><u>Infrastructure</u></b>	<b><u>Construction in Progress</u></b>
\$ 1,773,156	\$ -	\$ 946,184	\$ 856,487	\$ -	\$ -
914,799	148,187	771,296	2,902,892	-	-
-	-	225,118	-	-	-
-	-	14,809	31,588	-	-
-	-	10,001	29,023	-	-
791,990	-	5,590	24,076	-	-
<u>\$ 3,479,945</u>	<u>\$ 148,187</u>	<u>\$1,972,998</u>	<u>\$3,844,066</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,524,801	\$19,188,043	\$ 488,948	\$1,495,909	\$ -	\$ 1,187,147
1,537,257	215,910	886,054	2,768,773	-	-
-	-	-	-	87,750,149	1,024,854
-	-	7,315	136,330	-	-
-	-	138,437	73,876	-	-
<u>\$ 7,062,058</u>	<u>\$19,403,953</u>	<u>\$1,520,754</u>	<u>\$4,474,888</u>	<u>\$87,750,149</u>	<u>\$ 2,212,001</u>
\$ -	\$ -	\$ 23,031	\$ -	\$ -	\$ -
-	-	4,391	16,269	-	-
-	-	4,769	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,191</u>	<u>\$ 16,269</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 962,422	\$ 5,914,155	\$1,144,459	\$ 212,107	\$ -	\$19,480,342
20,729	3,122,334	103,958	-	-	-
-	136,691	246,360	66,284	-	-
9,519,775	239,231	310,028	-	-	-
1,399,325	149,604	178,547	-	-	-
-	-	2,881	-	-	-
<u>\$11,902,251</u>	<u>\$ 9,562,015</u>	<u>\$1,986,233</u>	<u>\$ 278,391</u>	<u>\$ -</u>	<u>\$19,480,342</u>
\$ -	\$ -	\$ 12,796	\$ -	\$ -	\$ -
392,539	-	49,297	906,670	-	-
<u>\$ 392,539</u>	<u>\$ -</u>	<u>\$ 62,093</u>	<u>\$ 906,670</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 3,836	\$ -	\$ -	\$ -
-	-	10,775	-	-	-
-	-	16,650	-	-	-
-	-	55,696	-	-	-
-	-	3,920	-	-	-
969,816	8,752	446,027	-	-	-
-	-	2,019	-	-	-
-	-	42,219	-	-	-
<u>\$ 969,816</u>	<u>\$ 8,752</u>	<u>\$ 581,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u><b>\$23,806,609</b></u>	<u><b>\$29,122,907</b></u>	<u><b>\$6,155,411</b></u>	<u><b>\$9,520,284</b></u>	<u><b>\$87,750,149</b></u>	<u><b>\$21,692,343</b></u>



CITY OF MASON CITY, IOWA  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
YEAR ENDED JUNE 30, 2016

<u>Function and Activity</u>	<u>Balance June 30, 2015</u>
Public Safety:	
Police	\$ 3,533,865
Fire	4,874,605
Civil Defense	225,118
Building	46,398
Inspectors	39,024
Neighborhood Services	821,657
Total public safety	<u>\$ 9,540,667</u>
Public Works:	
Airport	\$ 28,434,220
Street	5,406,746
Infrastructure	86,142,417
Arborist	143,645
Engineer	204,538
Total public works	<u>\$120,331,566</u>
Health and Social Services:	
Youth Task Force	\$ 23,031
Health	20,660
Human Rights	8,080
Total health and social services	<u>\$ 51,771</u>
Culture and Recreation:	
Parks	\$ 8,721,620
Swimming Pool	3,227,518
Recreation	439,767
Library	10,083,879
Museum	1,712,850
Band	2,881
Total culture and recreation	<u>\$ 24,188,515</u>
Community and Economic Development:	
Growth Development and Planning	\$ 12,797
Transit	1,187,604
Total community and economic development	<u>\$ 1,200,401</u>
General Government:	
Mayor	\$ 3,836
Council/Coffee room	14,347
Administrator	16,650
Finance	71,647
Clerk	3,920
City Hall	1,424,594
Safety Director	2,019
GIS	42,219
Total general government	<u>\$ 1,579,182</u>
Total Program & Activity	\$156,892,102
Construction in progress	<u>\$ 18,059,514</u>
<b>Total general capital assets</b>	<b><u>\$174,951,616</u></b>

*See Accompanying Independent Auditor's Report.*

<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
\$ 310,579	\$ 153,618	\$ 3,690,826
19,534	81,816	4,812,323
-	-	225,118
-	-	46,398
-	-	39,024
-	-	821,657
<u>\$ 330,113</u>	<u>\$ 235,434</u>	<u>\$ 9,635,346</u>
\$ -	\$ 10,629	\$ 28,423,591
308,363	275,752	5,439,357
1,607,731	-	87,750,148
-	-	143,645
23,012	15,238	212,312
<u>\$1,939,106</u>	<u>\$ 301,619</u>	<u>\$121,969,053</u>
\$ -	\$ -	\$ 23,031
-	-	20,660
225	3,536	4,769
<u>\$ 225</u>	<u>\$ 3,536</u>	<u>\$ 48,460</u>
\$ 263,330	\$ 78,356	\$ 8,906,594
20,729	1,225	3,247,022
42,682	33,114	449,335
-	1,344	10,082,535
16,727	2,100	1,727,477
-	-	2,881
<u>\$ 343,468</u>	<u>\$ 116,139</u>	<u>\$ 24,415,844</u>
\$ -	\$ -	\$ 12,797
160,901	-	1,348,505
<u>\$ 160,901</u>	<u>\$ -</u>	<u>\$ 1,361,302</u>
\$ -	\$ -	\$ 3,836
-	3,522	10,775
-	-	16,650
-	15,950	55,697
-	-	3,920
-	-	1,424,594
-	-	2,019
-	-	42,219
<u>\$ -</u>	<u>\$ 19,472</u>	<u>\$ 1,559,710</u>
\$2,773,814	\$ 676,200	\$158,989,715
\$3,762,553	\$ 129,724	\$ 21,692,343
<u><b>\$6,536,367</b></u>	<u><b>\$ 805,924</b></u>	<u><b>\$180,682,059</b></u>

**STATISTICAL  
SECTION**

**CITY OF MASON CITY, IOWA  
STATISTICAL SECTION**

This part of the City of Mason City's comprehensive annual report presents detailed statistical information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	132-141
<b>Revenue Capacity</b>	
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	142-150
<b>Debt Capacity</b>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	151-158
<b>Demographic and Economic Information</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	159-163
<b>Operating Information</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	164-167

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF MASON CITY, IOWA  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental activities:				
Net investment in capital assets	\$ 86,127,886	\$ 84,727,602	\$ 88,920,358	\$ 88,508,650
Restricted for:				
Museum funding	633,638	633,638	633,638	633,638
Bond retirement	231,420	202,580	28,884	-
Perpetual care	525,647	511,708	505,952	511,089
Unrestricted	<u>11,222,406</u>	<u>11,276,131</u>	<u>20,354,057</u>	<u>22,016,269</u>
<b>Total governmental           activities net position</b>	<b><u>\$ 98,740,997</u></b>	<b><u>\$ 97,351,659</u></b>	<b><u>\$110,442,889</u></b>	<b><u>\$111,669,646</u></b>
Business-type activities:				
Net investment in capital assets	\$ 53,212,613	\$ 49,472,024	\$ 49,736,029	\$ 47,268,020
Restricted for:				
Bond retirement	2,783,610	2,861,234	2,854,605	2,854,934
Unrestricted	<u>(579,255)</u>	<u>1,324,665</u>	<u>2,963,829</u>	<u>4,731,482</u>
<b>Total business-type           activities net position</b>	<b><u>\$ 55,416,968</u></b>	<b><u>\$ 53,657,923</u></b>	<b><u>\$ 55,554,463</u></b>	<b><u>\$ 54,854,436</u></b>
Primary government:				
Net investment in capital assets	\$139,340,499	\$134,199,626	\$138,656,387	\$135,776,670
Restricted for:				
Museum funding	633,638	633,638	633,638	633,638
Bond retirement	3,015,030	3,063,814	2,883,489	2,854,934
Perpetual care	525,647	511,708	505,952	511,089
Unrestricted	<u>10,643,151</u>	<u>12,600,796</u>	<u>23,317,886</u>	<u>26,747,751</u>
<b>Total primary government           net position</b>	<b><u>\$154,157,965</u></b>	<b><u>\$151,009,582</u></b>	<b><u>\$165,997,352</u></b>	<b><u>\$166,524,082</u></b>

*See Accompanying Independent Auditor's Report.*

<u>2012</u>	<u>2011 (1)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 84,438,764	\$ 78,121,123	\$ 67,769,666	\$ 60,958,677	\$ 54,151,661	\$ 51,379,331
633,638	633,638	633,638	633,638	633,638	610,638
-	-	61,631	267,858	362,803	505,025
527,193	509,011	505,269	486,855	455,442	429,743
<u>22,798,317</u>	<u>20,613,538</u>	<u>21,388,087</u>	<u>20,911,732</u>	<u>23,700,869</u>	<u>22,247,468</u>
<b><u>\$108,397,912</u></b>	<b><u>\$ 99,877,310</u></b>	<b><u>\$ 90,358,291</u></b>	<b><u>\$ 83,258,760</u></b>	<b><u>\$ 79,304,413</u></b>	<b><u>\$ 75,172,205</u></b>
\$ 45,942,815	\$ 40,172,842	\$ 38,361,919	\$38,209,810	\$ 36,086,120	\$ 35,294,652
2,863,129	2,866,968	2,853,334	2,836,655	2,799,606	2,578,675
<u>4,005,609</u>	<u>4,952,139</u>	<u>3,251,027</u>	<u>2,085,637</u>	<u>2,149,576</u>	<u>1,274,797</u>
<b><u>\$ 52,811,553</u></b>	<b><u>\$ 47,991,949</u></b>	<b><u>\$ 44,466,280</u></b>	<b><u>\$ 43,132,112</u></b>	<b><u>\$ 41,035,302</u></b>	<b><u>\$ 39,148,124</u></b>
\$130,381,579	\$118,293,965	\$106,131,585	\$ 99,168,487	\$ 90,237,781	\$ 86,673,983
633,638	633,638	633,638	633,638	633,638	610,638
2,863,129	2,866,968	2,914,965	3,104,523	3,162,409	3,083,700
527,193	509,011	505,269	486,855	455,442	429,743
<u>26,803,926</u>	<u>25,565,677</u>	<u>24,639,114</u>	<u>22,997,639</u>	<u>25,850,445</u>	<u>23,522,265</u>
<b><u>\$161,209,465</u></b>	<b><u>\$147,869,259</u></b>	<b><u>\$134,824,571</u></b>	<b><u>\$126,390,872</u></b>	<b><u>\$120,339,715</u></b>	<b><u>\$114,320,329</u></b>

(1) 2011 net position components have been adjusted to reflect the July 1, 2011 restatement.

**CITY OF MASON CITY, IOWA**  
**CHANGE IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(accrual basis of accounting)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Expenses:</b>				
Governmental activities:				
Public safety	\$ 10,754,469	\$ 10,241,751	\$ 10,446,427	\$ 9,943,882
Public works	9,511,930	10,250,497	8,903,627	7,553,058
Health and social services	413,573	439,606	511,107	1,790,824
Culture and recreation	4,258,749	4,149,775	4,177,101	3,248,655
Community and economic development	2,054,156	2,289,522	2,370,711	3,743,098
General government	2,506,268	2,518,372	2,485,932	2,357,531
Interest on long-term debt	686,189	755,292	736,324	863,232
Total governmental activities expenses	<u>\$ 30,185,334</u>	<u>\$ 30,644,815</u>	<u>\$ 29,631,229</u>	<u>\$ 29,500,280</u>
Business-type activities:				
Cemetery	\$ 356,153	\$ 331,137	\$ 325,879	\$ 332,576
Water	5,193,904	4,975,418	5,092,230	5,154,341
Sewer	3,739,623	3,749,185	3,741,731	3,905,597
Parking lots	134,594	128,181	136,465	125,823
Storm sewer	189,771	166,928	204,436	188,616
Solid waste	1,337,596	1,439,651	1,402,968	1,317,928
Golf course	467,724	445,611	446,921	435,999
Ambulance	1,907,191	1,712,861	1,721,519	1,526,010
Total business-type activities expenses	<u>\$ 13,326,556</u>	<u>\$ 12,948,972</u>	<u>\$ 13,072,149</u>	<u>\$ 12,986,890</u>
<b>Total primary government expenses</b>	<b><u>\$ 43,511,890</u></b>	<b><u>\$ 43,593,787</u></b>	<b><u>\$ 42,703,378</u></b>	<b><u>\$ 42,487,170</u></b>
<b>Program Revenues:</b>				
Governmental activities:				
Charges for services:				
Public safety	\$ 409,878	\$ 354,664	\$ 422,028	\$ 417,633
Culture and recreation	558,680	542,348	495,266	481,665
General government	372,314	344,976	304,320	364,171
Other activities	240,179	175,334	188,687	328,260
Operating grants and contributions	4,638,840	4,357,766	3,957,726	4,679,847
Capital grants and contributions	2,139,435	1,387,300	2,531,898	6,022,423
Total governmental activities program revenues	<u>\$ 8,359,326</u>	<u>\$ 7,162,388</u>	<u>\$ 7,899,925</u>	<u>\$ 12,293,999</u>
Business-type activities:				
Charges for services:				
Water	\$ 5,813,383	\$ 5,672,300	\$ 5,526,389	\$ 5,723,723
Sewer	4,295,594	4,261,982	4,135,284	4,370,992
Other activities	4,062,132	4,173,545	3,688,887	3,986,210
Operating grants and contributions	-	-	-	(46,721)
Capital grants and contributions	471,576	-	-	681,130
Total business-type activities program revenues	<u>\$ 14,642,685</u>	<u>\$ 14,107,827</u>	<u>\$ 13,350,560</u>	<u>\$ 14,715,334</u>
<b>Total primary government program revenues</b>	<b><u>\$ 23,002,011</u></b>	<b><u>\$ 21,270,215</u></b>	<b><u>\$ 21,250,485</u></b>	<b><u>\$ 27,009,333</u></b>
<b>Net (Expense) Revenues:</b>				
Governmental activities	\$ (21,826,008)	\$ (23,482,427)	\$ (21,731,304)	\$ (17,206,287)
Business-type activities	1,316,129	1,158,855	278,411	1,728,444
<b>Total primary government net (expense)/ revenues</b>	<b><u>\$ (20,509,879)</u></b>	<b><u>\$ (22,323,572)</u></b>	<b><u>\$ (21,452,893)</u></b>	<b><u>\$ (15,477,837)</u></b>

(continued)

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 9,787,453	\$ 9,402,887	\$ 8,897,795	\$ 8,776,634	\$ 8,836,067	\$ 8,497,763
7,382,204	7,450,233	6,910,495	6,912,927	6,547,510	5,695,837
906,341	808,916	779,197	769,456	838,912	719,340
4,091,975	3,503,976	3,475,535	3,720,434	3,192,566	3,197,601
1,979,288	2,252,333	2,368,084	1,937,074	1,516,775	1,429,911
2,211,823	2,176,829	2,593,594	2,668,372	2,206,251	2,241,467
992,502	1,053,911	987,814	695,529	580,638	541,891
<u>\$ 27,351,586</u>	<u>\$ 26,649,085</u>	<u>\$ 26,012,514</u>	<u>\$ 25,480,426</u>	<u>\$ 23,718,719</u>	<u>\$ 22,323,810</u>
\$ 333,251	\$ 314,613	\$ 300,661	\$ 282,484	\$ 263,411	\$ 265,149
5,158,365	5,218,343	5,244,979	5,047,464	4,896,428	4,791,948
3,824,139	3,505,748	3,473,401	3,118,427	2,841,619	2,754,070
112,947	127,198	135,289	118,762	112,018	103,884
186,745	189,862	182,262	178,107	188,876	116,252
1,378,497	1,289,603	1,244,442	1,201,526	1,141,987	1,090,911
449,534	473,005	453,765	463,543	496,383	465,044
1,581,505	1,572,168	1,265,397	1,353,951	1,300,570	1,169,878
<u>\$ 13,024,983</u>	<u>\$ 12,690,540</u>	<u>\$ 12,300,196</u>	<u>\$ 11,779,640</u>	<u>\$ 11,300,831</u>	<u>\$ 10,808,212</u>
<u><b>\$ 40,376,569</b></u>	<u><b>\$ 39,339,625</b></u>	<u><b>\$ 38,312,710</b></u>	<u><b>\$ 37,260,066</b></u>	<u><b>\$ 35,019,550</b></u>	<u><b>\$ 33,132,022</b></u>
\$ 381,382	\$ 356,340	\$ 287,781	\$ 388,341	\$ 331,821	\$ 469,917
540,478	550,848	458,412	474,665	462,564	529,079
311,974	410,024	382,266	453,072	399,780	372,805
424,824	269,465	587,134	215,322	266,913	229,317
4,303,876	3,748,874	2,380,822	1,970,043	1,586,253	1,690,908
8,315,838	10,109,341	7,737,713	4,828,170	3,383,038	4,537,680
<u>\$ 14,278,372</u>	<u>\$ 15,444,892</u>	<u>\$ 11,834,128</u>	<u>\$ 8,929,613</u>	<u>\$ 6,430,369</u>	<u>\$ 7,819,706</u>
\$ 5,388,342	\$ 5,238,573	\$ 4,979,982	\$ 4,647,116	\$ 4,701,954	\$ 4,587,840
4,388,117	4,658,234	4,304,033	4,196,151	3,060,266	2,583,223
3,830,609	3,645,750	3,612,573	3,637,931	3,525,466	3,272,750
37,354	619,206	188,313	584,695	-	-
4,030,634	914,735	206,190	270,810	1,111,409	583,409
<u>\$ 17,675,056</u>	<u>\$ 15,076,498</u>	<u>\$ 13,291,091</u>	<u>\$ 13,336,703</u>	<u>\$ 12,399,095</u>	<u>\$ 11,027,222</u>
<u><b>\$ 31,953,428</b></u>	<u><b>\$ 30,521,390</b></u>	<u><b>\$ 25,125,219</b></u>	<u><b>\$ 21,666,316</b></u>	<u><b>\$ 18,829,464</b></u>	<u><b>\$ 18,856,928</b></u>
\$ (13,073,214)	\$ (11,204,193)	\$ (14,178,386)	\$ (17,150,813)	\$ (17,288,350)	\$ (14,494,104)
4,650,073	2,385,958	990,895	1,557,063	1,098,264	219,010
<u><b>\$ (8,423,141)</b></u>	<u><b>\$ (8,818,235)</b></u>	<u><b>\$ (13,187,491)</b></u>	<u><b>\$ (15,593,750)</b></u>	<u><b>\$ (16,190,086)</b></u>	<u><b>\$ (14,275,094)</b></u>



**CITY OF MASON CITY, IOWA  
CHANGE IN NET POSITION  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>General Revenues and Other Changes in Net Position:</b>				
Governmental activities:				
General revenues:				
Property taxes	\$16,205,480	\$16,054,359	\$14,705,071	\$14,956,662
Other taxes	5,761,670	5,525,372	4,830,052	5,042,539
Franchise taxes	-	-	-	13,500
Road use tax	-	-	-	-
Unrestricted state utility tax replacement	158,272	155,992	160,367	159,198
Grants and contributions not restricted to specific program	-	6,460	162,241	11,192
Unrestricted investment income	1,013,796	682,226	641,132	233,535
Gain (loss) on sale of capital assets	-	-	-	-
Miscellaneous	130,946	52,321	106,062	114,885
Transfers	(54,818)	(121,215)	(100,378)	(53,496)
Total governmental activities	<u>\$23,215,346</u>	<u>\$22,355,515</u>	<u>\$20,504,547</u>	<u>\$20,478,015</u>
Business-type activities:				
General revenues:				
Property taxes	\$ 148,886	\$ 137,372	\$ 126,798	\$ 120,001
Grants and contributions not restricted to specific program	-	-	-	-
Unrestricted investment income	105,188	86,078	71,380	63,986
Miscellaneous	134,024	164,043	123,060	76,956
Transfers	54,818	121,215	100,378	53,496
Total business-type activities	<u>\$ 442,916</u>	<u>\$ 508,708</u>	<u>\$ 421,616</u>	<u>\$ 314,439</u>
<b>Total primary government</b>	<b><u>\$23,658,262</u></b>	<b><u>\$22,864,223</u></b>	<b><u>\$20,926,163</u></b>	<b><u>\$20,792,454</u></b>
<b>Change in Net Position:</b>				
Governmental activities	\$ 1,389,338	\$ (1,126,912)	\$ (1,226,757)	\$ 3,271,734
Business-type activities	<u>1,759,045</u>	<u>1,667,563</u>	<u>700,027</u>	<u>2,042,883</u>
<b>Total primary government</b>	<b><u>\$ 3,148,383</u></b>	<b><u>\$ 540,651</u></b>	<b><u>\$ (526,730)</u></b>	<b><u>\$ 5,314,617</u></b>

*See Accompanying Independent Auditor's Report.*

**SCHEDULE 2**  
**(continued)**

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$14,594,866	\$14,145,418	\$13,104,150	\$12,884,283	\$12,343,528	\$11,819,970
5,319,902	4,783,420	4,435,891	4,576,634	5,032,706	4,400,683
-	-	-	-	-	-
-	-	2,466,138	2,417,780	2,499,599	2,440,873
156,531	151,361	174,130	186,493	186,315	184,216
95,746	386,403	19,107	44,895	10,001	92,191
1,002,440	596,673	1,068,587	795,157	1,478,799	1,746,741
-	-	-	-	-	-
259,331	259,307	13,663	265,548	104,746	46,892
165,000	(36,000)	(3,749)	(65,630)	(235,136)	(97,000)
<u>\$21,593,816</u>	<u>\$20,286,582</u>	<u>\$21,277,917</u>	<u>\$21,105,160</u>	<u>\$21,420,558</u>	<u>\$20,634,566</u>
\$ 114,460	\$ 113,987	\$ 112,825	\$ 105,232	\$ 100,873	\$ 92,417
-	-	-	-	2,825	-
112,040	96,638	133,399	198,766	346,442	343,964
108,031	81,894	93,300	170,119	103,638	47,948
(165,000)	36,000	3,749	65,630	235,136	97,000
<u>\$ 169,531</u>	<u>\$ 328,519</u>	<u>\$ 343,273</u>	<u>\$ 539,747</u>	<u>\$ 581,329</u>	<u>\$ 389,976</u>
<b><u>\$21,763,347</u></b>	<b><u>\$20,615,101</u></b>	<b><u>\$21,621,190</u></b>	<b><u>\$21,644,907</u></b>	<b><u>\$22,209,472</u></b>	<b><u>\$21,215,895</u></b>
\$ 8,520,602	\$ 9,082,389	\$ 7,099,531	\$ 3,954,347	\$ 4,132,208	\$ 6,140,462
4,819,604	2,714,477	1,344,168	2,096,810	1,887,178	800,339
<b><u>\$13,340,206</u></b>	<b><u>\$11,796,866</u></b>	<b><u>\$ 8,433,699</u></b>	<b><u>\$ 6,051,157</u></b>	<b><u>\$ 6,019,386</u></b>	<b><u>\$ 6,940,801</u></b>

**CITY OF MASON CITY, IOWA**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>General Fund:</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	139,659	150,431	150,177	143,958
Restricted	902,107	1,041,256	1,159,526	1,214,910
Assigned	1,340,521	244,094	209,235	144,553
Unassigned	4,477,546	5,531,032	4,182,542	5,542,781
<b>Total general fund</b>	<b><u>\$ 6,859,833</u></b>	<b><u>\$ 6,966,813</u></b>	<b><u>\$ 5,701,480</u></b>	<b><u>\$ 7,046,202</u></b>
<b>All Other Governmental Funds:</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Permanent funds	-	-	-	-
Nonspendable	573,521	547,542	797,680	646,753
Restricted	11,657,353	12,698,720	13,572,250	12,960,704
Assigned	1,199,497	1,154,724	1,394,529	1,062,246
Unassigned	(88,029)	(32,253)	3,922,831	(242,382)
<b>Total all other governmental funds</b>	<b><u>\$13,342,342</u></b>	<b><u>\$14,368,733</u></b>	<b><u>\$19,687,290</u></b>	<b><u>\$14,427,321</u></b>

Note: The City implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year 2011.

**See Accompanying Independent Auditor's Report.**

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ -	\$ -	\$ 214,097	\$ 227,684	\$ 209,866	\$ 211,759
-	-	8,311,761	7,035,343	8,412,260	8,669,062
151,565	139,912	-	-	-	-
1,295,953	1,316,949	-	-	-	-
374,681	474,153	-	-	-	-
5,165,554	5,125,768	-	-	-	-
<u><b>\$ 6,987,753</b></u>	<u><b>\$ 7,056,782</b></u>	<u><b>\$ 8,525,858</b></u>	<u><b>\$ 7,263,027</b></u>	<u><b>\$ 8,622,126</b></u>	<u><b>\$ 8,880,821</b></u>
\$ -	\$ -	\$ 1,211,159	\$ 1,398,244	\$ 1,457,861	\$ 1,551,247
-	-	9,542,365	8,662,741	8,760,295	7,807,590
-	-	654,364	2,371,946	3,882,653	3,788,901
-	-	175,591	268,182	299,917	301,100
646,187	645,079	-	-	-	-
13,067,223	12,077,490	-	-	-	-
1,378,163	1,380,703	-	-	-	-
(156,514)	(1,391,926)	-	-	-	-
<u><b>\$14,935,059</b></u>	<u><b>\$12,711,346</b></u>	<u><b>\$11,583,479</b></u>	<u><b>\$12,701,113</b></u>	<u><b>\$14,400,726</b></u>	<u><b>\$13,448,838</b></u>

**CITY OF MASON CITY, IOWA**  
**CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(modified accrual basis of accounting)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Revenues:</b>				
Property taxes	\$13,448,843	\$13,134,275	\$12,800,233	\$12,832,251
TIF revenues	1,451,725	1,573,744	1,415,513	1,409,284
Other taxes	5,919,944	5,678,666	5,003,919	5,215,237
Licenses and permits	594,415	580,014	610,516	587,652
Intergovernmental	6,025,276	5,207,187	6,043,361	10,176,181
Charges for services	894,300	754,598	708,049	889,012
Fines and forfeitures	74,775	59,722	71,074	80,084
Use of money and property	984,474	660,836	629,500	252,129
Special assessments	17,561	22,988	20,662	34,981
Miscellaneous	917,396	643,736	751,594	997,852
Refunds	27,189	11,077	25,555	53,316
Total revenues	<u>\$30,355,898</u>	<u>\$28,326,843</u>	<u>\$28,079,976</u>	<u>\$32,527,979</u>
<b>Expenditures:</b>				
Public safety	\$10,309,925	\$10,068,835	\$ 9,461,048	\$ 8,936,006
Public works	3,429,410	3,488,692	3,388,778	3,174,323
Health and social services	398,199	439,271	491,775	734,159
Culture and recreation	3,222,303	3,184,421	3,061,843	3,396,606
Community and economic development	2,825,572	2,228,117	2,826,482	5,490,905
General government	2,438,650	2,454,268	2,338,806	2,200,056
Capital projects	6,355,203	4,103,833	4,851,153	6,120,323
Debt service:				
Principal retirement	3,330,000	3,446,922	3,024,646	3,342,294
Interest	653,668	693,901	710,057	818,835
Contractual	37,374	62,138	30,408	52,780
Total expenditures	<u>\$33,000,304</u>	<u>\$30,170,398</u>	<u>\$30,184,996</u>	<u>\$34,266,287</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,644,406)</u>	<u>\$ (1,843,555)</u>	<u>\$ (2,105,020)</u>	<u>\$ (1,738,308)</u>
<b>Other financing sources (uses):</b>				
Issuance of refunding bonds	\$ -	\$ -	\$ -	\$ 890,000
Payment to refunding escrow agent	-	-	-	(860,000)
Issuance of general obligation bonds	1,335,000	3,185,000	895,000	1,325,000
Premium (discount) on bonds issued	30,853	128,026	24,165	(12,485)
Sale of capital assets	-	-	-	-
Transfers in	2,505,126	2,488,068	1,754,526	2,921,668
Transfers out	(2,359,944)	(2,309,283)	(2,354,904)	(2,975,164)
Total other financing sources (uses)	<u>\$ 1,511,035</u>	<u>\$ 3,491,811</u>	<u>\$ 318,787</u>	<u>\$ 1,289,019</u>
<b>Net change in fund balances</b>	<u><b>\$ (1,133,371)</b></u>	<u><b>\$ 1,648,256</b></u>	<u><b>\$ (1,786,233)</b></u>	<u><b>\$ (449,289)</b></u>
<b>Debt service as a percentage of noncapital expenditures</b>	<u><b>14.95%</b></u>	<u><b>15.89%</b></u>	<u><b>14.74%</b></u>	<u><b>14.78%</b></u>

*See Accompanying Independent Auditor's Report.*

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$12,329,153	\$11,933,871	\$11,227,096	\$10,615,964	\$ 9,991,874	\$ 9,509,937
1,500,976	1,438,648	1,113,291	1,293,624	1,549,165	1,539,641
5,476,433	4,934,781	4,610,021	4,763,020	5,219,025	4,584,899
598,403	627,128	526,228	594,809	589,770	583,098
12,222,158	13,550,171	11,920,642	8,771,337	7,062,389	7,917,610
950,316	868,987	1,098,884	788,428	673,796	804,962
83,949	81,317	73,912	117,261	88,621	169,377
966,669	580,143	1,046,555	747,268	1,408,275	1,685,388
25,990	9,245	16,569	30,900	108,927	43,681
690,139	1,016,838	637,005	591,339	497,160	860,681
15,396	7,984	34,447	207,873	72,695	73,281
<u>\$34,859,582</u>	<u>\$35,049,113</u>	<u>\$32,304,650</u>	<u>\$28,521,930</u>	<u>\$27,261,697</u>	<u>\$27,772,552</u>
\$ 8,935,302	\$ 8,744,332	\$ 8,377,479	\$ 8,121,819	\$ 8,339,910	\$ 8,088,949
3,130,523	3,228,134	3,398,998	2,879,684	3,278,651	3,218,936
853,755	787,650	765,063	750,863	805,599	699,620
3,092,889	2,917,485	2,988,797	3,046,106	2,785,729	2,815,767
5,472,392	12,624,763	7,278,193	1,693,168	1,134,548	1,301,826
2,101,725	2,113,201	2,469,483	2,531,895	2,134,146	2,175,747
6,437,190	7,502,631	13,623,213	16,059,284	7,859,352	8,772,725
3,363,870	2,601,875	2,117,833	1,659,835	1,792,073	1,571,570
956,803	993,656	955,151	634,734	530,122	515,464
62,470	41,578	9,669	48,424	50,115	22,100
<u>\$34,406,919</u>	<u>\$41,555,305</u>	<u>\$41,983,879</u>	<u>\$37,425,812</u>	<u>\$28,710,245</u>	<u>\$29,182,704</u>
\$ 452,663	\$ (6,506,192)	\$ (9,679,229)	\$ (8,903,882)	\$ (1,448,548)	\$ (1,410,152)
\$ 2,144,077	\$ -	\$ -	\$ -	\$ -	\$ -
(1,994,077)	-	-	-	-	-
1,400,000	5,785,000	9,108,900	5,485,800	2,400,300	2,775,000
(12,980)	(32,017)	25,275	-	(23,422)	(16,317)
-	-	-	-	-	153,000
2,828,522	2,578,286	2,655,746	2,537,998	1,462,290	1,494,141
(2,663,521)	(1,849,286)	(1,965,495)	(2,178,628)	(1,697,426)	(1,591,141)
<u>\$ 1,702,021</u>	<u>\$ 6,481,983</u>	<u>\$ 9,824,426</u>	<u>\$ 5,845,170</u>	<u>\$ 2,141,742</u>	<u>\$ 2,661,683</u>
<u><b>\$ 2,154,684</b></u>	<u><b>\$ (24,209)</b></u>	<u><b>\$ 145,197</b></u>	<u><b>\$ (3,058,712)</b></u>	<u><b>\$ 693,194</b></u>	<u><b>\$ 1,251,531</b></u>
<u><b>15.45%</b></u>	<u><b>10.56%</b></u>	<u><b>10.84%</b></u>	<u><b>10.74%</b></u>	<u><b>11.14%</b></u>	<u><b>10.23%</b></u>

**CITY OF MASON CITY, IOWA**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE (1)**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Tax Increment</u>	<u>Ag Land Taxes</u>	<u>Monies &amp; Credits</u>
2016	\$13,862,196	\$1,474,317	\$24,393	\$8,707
2015	13,108,904	1,573,744	16,664	8,707
2014	12,774,262	1,415,513	17,911	8,060
2013	12,807,444	1,409,283	17,403	7,405
2012	12,329,153	1,500,976	17,243	6,635
2011	11,933,871	1,438,648	17,385	6,028
2010	11,227,096	1,113,291	17,898	6,034
2009	10,595,874	1,293,624	20,090	-
2008	9,991,874	1,549,165	17,051	-
2007	9,509,934	1,539,641	16,878	-

<u>Fiscal Year</u>	<u>Hotel/ Motel Tax</u>	<u>Utility Property Tax Replacement</u>	<u>Local Option Sales Tax</u>	<u>Total Taxes</u>
2016	\$624,796	\$158,272	\$3,850,232	\$20,002,913
2015	686,826	155,992	2,892,998	18,443,835
2014	581,732	160,367	2,551,976	17,509,821
2013	562,295	159,198	2,681,986	17,645,014
2012	544,623	156,531	2,836,036	17,391,197
2011	412,712	151,361	2,580,116	16,540,121
2010	449,699	174,130	2,460,515	15,448,663
2009	439,464	186,493	2,458,596	14,994,141
2008	333,278	186,316	2,797,987	14,875,671
2007	303,510	184,216	2,430,608	13,984,787

(1) Includes General, Special Revenue and Debt Service Funds

*See Accompanying Independent Auditor's Report.*

**CITY OF MASON CITY, IOWA  
 ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS**

<b>Levy Year</b>	<b>Fiscal Year</b>	<b>Assessed Valuation</b>			
		<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Agricultural Property</b>
2015	2016	\$1,098,783,110	\$384,732,057	\$106,730,550	\$15,291,110
2014	2015	1,091,398,550	352,091,031	99,274,430	15,455,130
2013	2014	1,090,626,518	385,599,158	106,395,280	18,155,250
2012	2013	1,084,170,413	375,551,210	99,342,061	12,935,557
2011	2012	1,082,708,259	375,761,167	105,170,753	13,014,606
2010	2011	1,087,197,119	373,188,488	116,132,318	10,462,956
2009	2010	1,075,186,271	358,218,056	118,180,425	10,603,851
2008	2009	1,073,694,584	357,754,516	123,274,907	7,445,461
2007	2008	1,059,165,761	334,628,381	118,779,067	7,401,777
2006	2007	986,438,850	332,716,426	115,210,126	6,699,559

(1) State mandated rollbacks have been applied to each class of property

(2) Property in the City is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

Source: City Assessor

*See Accompanying Independent Auditor's Report.*



<u>Utilities</u>	<u>Total</u>	<u>Total Taxable Valuation (1) (2)</u>	<u>Total Direct Tax Rate</u>
\$70,558,190	\$1,673,095,017	\$1,114,774,966	13.51799
63,509,283	1,621,728,424	1,084,921,577	13.85102
63,978,505	1,664,754,711	1,132,555,552	13.02255
51,062,791	1,623,062,032	1,106,330,731	13.55111
58,902,940	1,635,557,725	1,096,817,538	13.56506
55,575,034	1,642,555,915	1,079,732,545	13.39427
39,183,481	1,601,372,084	1,026,972,722	12.73451
38,557,472	1,600,726,940	1,016,064,811	12.80116
38,557,472	1,558,532,458	964,618,055	12.67114
40,823,425	1,481,888,386	944,867,130	12.25642

CITY OF MASON CITY, IOWA  
PROPERTY TAX RATES -  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS

REGULAR DISTRICTS

<u>Fiscal Year</u>	<u>CITY OF MASON CITY</u>			
	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Retirement Millage</u>	<u>Total City Millage</u>
2016	8.33064	2.65228	2.53507	13.51799
2015	8.37904	2.90537	2.56661	13.85102
2014	8.43261	2.86429	1.72565	13.02255
2013	8.43639	3.11309	2.00163	13.55111
2012	8.49471	2.97035	2.10000	13.56506
2011	8.67914	2.78243	1.93270	13.39427
2010	8.71062	2.10902	1.91487	12.73451
2009	8.83574	1.52791	2.43751	12.80116
2008	8.86866	1.33259	2.46989	12.67114
2007	8.83050	1.05727	2.36865	12.25642

Source: Cerro Gordo County Auditor

Note: The City's general fund maximum property tax rate may only be \$8.10 per \$1,000 of valuation. The remaining portion of the operating rate and the rates for debt service and retirement are set based on each year's requirements.

*See Accompanying Independent Auditor's Report.*

CERRO GORDO COUNTY			MASON CITY COMMUNITY SCHOOL DISTRICT			Other	Total Millage
<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total County Millage</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total School Millage</u>		
5.68836	.56098	6.24934	12.51573	1.43507	13.95080	3.00375	33.71813
5.84151	.40783	6.24934	11.32710	1.87119	13.19829	3.00375	33.29865
5.83306	.40276	6.23582	11.04654	-	11.04654	3.00375	33.30866
5.81660	.41922	6.23582	13.31719	-	13.31719	3.00375	36.10787
5.81660	.43417	6.25077	15.11036	-	15.11036	3.00375	37.92994
5.81451	.45591	6.27042	15.11732	-	15.11732	3.00375	37.78576
5.82555	.46592	6.29147	13.61683	-	13.61683	3.00375	35.64656
5.83059	.48632	6.31691	13.67407	-	13.67407	3.00375	35.79589
5.83592	.75876	6.59468	14.08418	-	14.08418	3.00375	36.35375
5.78266	.81202	6.59468	14.09825	-	14.09825	3.00375	35.95310

CITY OF MASON CITY, IOWA  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2016		
	Taxable Assessed Valuation	Rank	Percent of Total Assessed Valuation
Interstate Power Company	\$ 64,597,227	1	3.86%
Golden Grain Energy, LLC	20,418,000	2	1.22
Lehigh Portland Cement Company	15,042,460	3	0.90
Mills Properties, Inc.	14,478,980	4	0.87
Wal-Mart Real Estate Business Trust	12,044,470	5	0.72
AADG, Inc.	11,854,330	6	0.71
Mason City Shopping Center LP	10,392,640	7	0.62
IPE 1031 Rev 161, LLC & IPE 1031 Rev 172, LLC (formally known as Principal Mutual Life Insurance Group)	9,352,510	8	0.56
Dayton Hudson Corp.	8,711,110	9	0.52
Jeffrey & Jessica Tierney/Tierney Properties	8,634,100	10	0.52
Northwestern States Cement-Holnam, Inc.	-		-
Downtown Mall Associates	-		-
Mercy Medical Center - North Iowa	-		-
<b>Total</b>	<b><u>\$175,525,827</u></b>		<b><u>10.50%</u></b>

Source: City Assessor

*See Accompanying Independent Auditor's Report.*

2007		
<u>Taxable Assessed Valuation</u>	<u>Rank</u>	<u>Percent of Total Assessed Valuation</u>
\$ 30,783,519	1	3.26%
12,418,379	5	1.31
17,891,841	2	1.89
9,955,050	8	1.05
10,058,420	7	1.06
14,881,470	3	1.57
-	-	-
8,779,280	10	0.93
-	-	-
-	-	-
13,204,063	4	1.40
10,690,760	6	1.13
9,126,454	9	0.97
<u>\$137,789,236</u>		<u>14.57%</u>

CITY OF MASON CITY  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

<u>Levy Year</u>	<u>For Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>
			<u>Amount</u>	<u>Percentage of Levy</u>	
2015	2016	\$14,019,135	\$13,731,010	97.94%	\$ -
2014	2015	14,405,234	14,101,474	97.89	-
2013	2014	13,543,634	13,249,201	97.83	-
2012	2013	13,822,521	13,488,070	97.58	5,168
2011	2012	13,368,985	13,106,318	98.04	1,560
2010	2011	12,949,529	12,922,145	99.79	20,728
2009	2010	12,269,045	12,246,928	99.82	16,935
2008	2009	11,901,194	11,885,781	99.87	11,174
2007	2008	11,065,910	11,062,272	99.97	1,602
2006	2007	10,549,474	10,547,547	99.98	879

*See Accompanying Independent Auditor's Report.*

<u>Total Collections to Date</u>	
<u>Amount</u>	<u>Percentage of Levy</u>
\$13,731,010	97.94%
14,101,474	97.89
13,249,201	97.83
13,493,238	97.62
13,107,878	98.05
12,942,873	99.95
12,264,391	99.96
11,897,573	99.97
11,063,874	99.98
10,548,426	99.99

**CITY OF MASON CITY, IOWA  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Governmental Activities</b>			
	<b>General Obligation</b>		<b>TIF Revenue</b>	<b>Settlement</b>
	<b>Bonds</b>	<b>Notes</b>	<b>Bonds</b>	<b>Note</b>
2016	\$18,680,000	\$ -	\$ -	\$ -
2015	20,675,000	-	-	-
2014	20,936,911	-	-	-
2013	23,066,557	-	-	-
2012	23,854,077	150,000	1,049,774	-
2011	25,339,320	295,000	1,233,400	-
2010	21,684,866	594,958	1,404,774	-
2009	14,138,132	884,958	1,569,339	-
2008	9,776,550	1,333,671	1,727,044	-
2007	9,777,692	408,671	2,072,975	4,889

<b>Fiscal Year</b>	<b>Business-Type Activities</b>			
	<b>General Obligation</b>		<b>Revenue</b>	<b>Capital</b>
	<b>Bonds</b>	<b>Notes</b>	<b>Bonds</b>	<b>Lease</b>
2016	\$5,818,000	\$ -	\$16,512,000	\$ -
2015	6,785,000	-	18,231,000	-
2014	4,883,090	36,000	20,061,480	-
2013	5,928,444	123,169	21,971,273	-
2012	6,100,923	205,085	23,821,018	-
2011	7,050,680	282,887	25,602,694	-
2010	6,840,134	356,890	27,146,278	-
2009	6,236,868	696,052	26,057,827	-
2008	5,903,450	410,780	18,740,604	105,480
2007	3,667,308	513,735	17,888,281	207,231

*See Accompanying Independent Auditor's Report.*



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**Total**


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\$18,680,000  
 20,675,000  
 20,936,911  
 23,066,557  
 25,053,851  
 26,867,720  
 23,684,598  
 16,592,429  
 12,837,265  
 12,264,227

<u>Total</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$22,330,000	\$41,007,000	3.23%	\$1,498
25,016,000	45,691,000	3.45	1,627
24,980,570	45,917,481	3.59	1,635
28,022,886	51,089,443	4.41	1,819
30,127,026	55,180,877	5.09	1,965
32,936,261	59,803,981	6.14	2,130
34,343,302	58,027,900	5.37	1,989
32,990,747	49,583,176	4.91	1,700
25,160,314	37,997,579	3.88	1,303
22,276,555	34,540,782	3.63	1,184

CITY OF MASON CITY, IOWA  
 RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED  
 VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA  
 LAST TEN FISCAL YEARS

<u>Levy Year</u>	<u>Population(1)</u>	<u>Taxable Assessed Value (2)</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Funds</u>
2016	27,366	\$1,114,774,966	\$24,495,000	\$ 231,420
2015	28,079	1,084,921,577	27,460,000	202,580
2014	28,079	1,132,555,552	25,856,001	28,884
2013	28,079	1,089,127,619	29,118,278	(10,025)
2012	28,079	1,076,208,365	30,310,085	(8,624)
2011	28,079	1,079,732,545	32,967,887	(121,160)
2010	29,172	1,026,972,722	29,476,848	61,630
2009	29,172	1,016,064,811	21,956,010	267,858
2008	29,172	964,618,055	17,424,451	362,803
2007	29,172	944,867,130	14,367,406	505,025

<u>Levy Year</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2016	\$24,263,580	2.18%	\$ 886.63
2015	27,257,420	2.51	970.74
2014	25,827,117	2.28	919.80
2013	29,128,303	2.67	1,037.37
2012	30,318,709	2.82	1,079.76
2011	33,089,047	3.06	1,178.43
2010	29,415,218	2.86	1,008.34
2009	21,688,152	2.13	743.46
2008	17,061,648	1.77	584.86
2007	13,862,381	1.47	475.19

Source:

- (1) U.S. Census Bureau
- (2) City Assessor

*See Accompanying Independent Auditor's Report.*

**CITY OF MASON CITY, IOWA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
JUNE 30, 2016**

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable To City Of Mason City</u>	<u>Amount Applicable To City Of Mason City</u>
Direct:			
City of Mason City (1)	\$18,680,000	100.0%	\$18,680,000
Overlapping (2):			
Mason City Community School District	\$29,643,595	-	\$26,584,376
Cerro Gordo County	9,799,665	43.5	4,262,854
North Iowa Area Community College	34,120,000	-	-
Total overlapping	\$73,563,260		\$30,847,230
<b>Total</b>	<b>\$92,243,260</b>		<b>\$49,527,230</b>

Source: Information provided by individual unit.

- (1) Excluding general obligation debt reported in the Enterprise Funds
- (2) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Mason City. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident—and therefore responsible for repaying the debt—of each overlapping government.

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

*See Accompanying Independent Auditor's Report.*

**CITY OF MASON CITY, IOWA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Debt limit	\$83,345,118	\$83,252,607	\$83,237,735	\$82,847,356
Total net debt applicable to limit	<u>24,495,000</u>	<u>27,460,000</u>	<u>25,820,000</u>	<u>28,995,000</u>
<b>Legal debt margin</b>	<b><u>\$58,850,118</u></b>	<b><u>\$55,792,607</u></b>	<b><u>\$57,417,735</u></b>	<b><u>\$53,852,356</u></b>
Total net debt applicable to the limit as a percentage of debt limit	<u>29.39%</u>	<u>32.98%</u>	<u>31.02%</u>	<u>34.99%</u>

**Legal Debt Margin Calculation for Fiscal Year 2016**

Actual assessed valuation:	
Real property	\$1,647,347,514
Utilities	<u>19,554,852</u>
Total actual assessed valuation	<u>\$1,666,902,366</u>
Debt limit - 5% of actual valuation	\$ 83,345,118
Total net debt applicable to limit	<u>24,495,000</u>
Legal debt margin	<b><u>\$ 58,850,118</u></b>

*See Accompanying Independent Auditor's Report.*

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$81,919,465	\$82,821,479	\$80,068,604	\$80,036,347	\$77,926,623	\$74,094,419
<u>31,154,774</u>	<u>33,918,400</u>	<u>30,524,732</u>	<u>23,206,321</u>	<u>15,643,215</u>	<u>15,926,646</u>
<u><b>\$50,764,691</b></u>	<u><b>\$48,903,079</b></u>	<u><b>\$49,543,872</b></u>	<u><b>\$56,830,026</b></u>	<u><b>\$62,283,408</b></u>	<u><b>\$58,167,773</b></u>
<u><b>38.03%</b></u>	<u><b>40.95%</b></u>	<u><b>38.12%</b></u>	<u><b>28.99%</b></u>	<u><b>20.07%</b></u>	<u><b>21.50%</b></u>

CITY OF MASON CITY, IOWA  
 PLEDGED REVENUE COVERAGE - SEWER  
 LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses (1)</u>	<u>Net Revenue Available for Debt Service</u>
2016	\$4,370,454	\$1,977,409	\$2,393,045
2015	4,335,092	1,978,379	2,356,793
2014	4,195,815	1,910,662	2,285,153
2013	4,374,579	1,898,650	2,475,929
2012	4,442,947	1,954,110	2,488,837
2011	5,231,916	1,672,145	3,559,771
2010	4,405,338	2,014,228	2,391,110
2009	4,442,190	1,908,966	2,533,224
2008	3,173,779	1,786,007	1,387,772
2007	2,673,287	1,814,148	859,139

<u>Fiscal Year</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2016	\$571,000	\$297,000	\$ 868,000	2.76
2015	883,000	327,360	1,210,360	1.95
2014	851,000	355,725	1,206,725	1.89
2013	824,000	383,290	1,207,290	2.05
2012	793,000	409,590	1,202,590	2.07
2011	897,000	437,287	1,334,287	2.66
2010	867,000	413,322	1,280,322	1.86
2009	690,000	169,170	859,170	2.95
2008	450,000	119,760	569,760	2.43
2007	455,000	117,276	572,276	1.50

(1) Total operating expenses exclusive of depreciation and amortization.

*See Accompanying Independent Auditor's Report.*

**CITY OF MASON CITY, IOWA  
PLEDGED REVENUE COVERAGE - WATER  
LAST TEN FISCAL YEARS**

<b><u>Fiscal Year</u></b>	<b><u>Gross Revenues</u></b>	<b><u>Operating Expenses (1)</u></b>	<b><u>Net Revenue Available for Debt Service</u></b>
2016	\$5,858,228	\$3,341,266	\$2,516,962
2015	5,702,460	3,108,777	2,593,683
2014	5,554,001	3,223,986	2,330,015
2013	5,751,609	3,161,914	2,589,695
2012	5,476,898	3,164,908	2,311,990
2011	5,337,691	3,263,510	2,074,181
2010	5,171,917	3,315,053	1,856,864
2009	4,950,216	3,145,518	1,804,698
2008	4,889,040	3,065,967	1,823,073
2007	4,781,241	3,063,093	1,718,148

<b><u>Fiscal Year</u></b>	<b><u>Debt Service Requirements</u></b>			<b><u>Coverage</u></b>
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>	
2016	\$1,148,000	\$149,038	\$1,297,038	1.94
2015	1,109,000	196,048	1,305,048	1.98
2014	1,071,000	221,675	1,292,675	1.80
2013	1,038,000	366,230	1,404,230	1.84
2012	1,001,000	399,010	1,400,010	1.65
2011	970,000	430,760	1,400,760	1.48
2010	940,000	461,453	1,401,453	1.32
2009	915,000	491,288	1,406,288	1.28
2008	775,000	502,103	1,277,103	1.43
2007	727,000	463,806	1,190,806	1.44

(1) Total operating expenses exclusive of depreciation and amortization.

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population(1)</u>	<u>Personal Income (in thousands)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2016	27,366	\$1,269,646	\$42,009	41.90	3,737	3.7%
2015	28,079	1,322,633	47,104	44.40	3,746	4.5
2014	28,079	1,277,511	45,497	43.80	3,725	4.8
2013	28,079	1,157,557	41,225	43.80	3,751	5.4
2012	28,079	1,082,586	38,555	43.30	3,796	6.5
2011	28,079	974,538	34,707	43.30	3,860	6.6
2010	29,172	1,080,618	37,043	42.10	3,909	7.9
2009	29,172	1,010,401	34,636	42.40	3,649	5.4
2008	29,172	980,850	33,623	41.70	3,969	3.5
2007	29,172	951,824	32,628	42.20	4,102	3.3

Source: (1) U.S. Census Bureau decennial census  
(2) Department of Economic Development, State Demographer  
(3) Mason City Community School District  
(4) Iowa Workforce Development

*See Accompanying Independent Auditor's Report.*



CITY OF MASON CITY, IOWA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>2016</u>		<u>Percent of Total City Employment</u>
	<u>Employees</u>	<u>Rank</u>	
Mercy Medical Center - North IA	2,600	1	11.74%
Curries Manufacturing Company	625	2	2.82
Mason City Schools	594	3	2.68
Principal Financial Group	399	4	1.80
Smithfield	266	5	1.20
City of Mason City	258	6	1.16
Cerro Gordo County	241	7	1.09
North Iowa Area Community College	221	8	1.00
Graham Doors	210	9	0.95
Wal-Mart	200	10	0.90
Armour Food Co.	-	-	-
Woodharbor Molding & Millwork	-	-	-
I.C. Systems	-	-	-
Larson Manufacturing Co.	-	-	-
<b>Total</b>	<b><u>5,614</u></b>		<b><u>25.34%</u></b>

Source: North Iowa Corridor Economic Development Corporation  
Mason City Chamber of Commerce  
Iowa Workforce Development

*See Accompanying Independent Auditor's Report.*

2007		
<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
1,803	1	6.26%
1,203	2	4.17
577	3	2.00
481	5	1.67
-	-	-
269	6	1.35
-	-	-
-	-	-
245	9	0.85
-	-	-
250	8	0.87
520	4	1.80
236	10	0.59
261	7	0.91
<u>5,966</u>		<u>20.47%</u>

**CITY OF MASON CITY, IOWA**  
**FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Public safety:					
Police - sworn	50	47	45	45	45
Police - civilian	5	5	5	5	5
Fire - sworn	44	44	44	45	44
Fire - civilian	2	2	2	2	2
Building Inspection	1	1	1	1	2
Plumbing/Electrical Inspection	2	2	2	2	2
Public works:					
Airport	5	5	5	5	5
Street	21	21	19	20	21
Arborist	1	1	1	1	1
Engineer	7	7	6	6	7
Health and social services:					
Youth Task Force	3	3	5	5	4
Health	1	1	1	1	1
Human Rights	-	-	-	1	3
Culture and recreation:					
Parks	6	6	6	6	6
Recreation	4	4	4	5	3
Library	15	17	17	17	18
Museum	6	7	7	7	7
Community and economic development:					
Neighborhood Services	4	4	3	3	3
Growth Development and Planning	3	3	3	3	3
Transit	16	17	18	16	14
General government:					
Administrator	2	2	2	2	3
Mayor	-	-	-	-	-
Finance	10	10	10	10	11
Clerk	1	1	1	1	1
City Hall	-	-	-	1	1
Personnel/Safety	2	2	2	2	2
Business-type activities:					
Water	18	18	18	18	18
Sewer	15	15	15	15	14
Sanitation	12	11	12	12	10
Cemetery	3	3	3	3	3
Golf course	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<b>Total</b>	<b><u>262</u></b>	<b><u>262</u></b>	<b><u>259</u></b>	<b><u>262</u></b>	<b><u>261</u></b>

Source: City Finance Department

*See Accompanying Independent Auditor's Report.*

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
48	48	48	45	48
5	5	2	4	10
44	44	44	44	44
2	2	2	2	2
3	3	3	3	3
2	2	1	2	2
5	5	5	5	5
21	20	22	21	21
1	1	1	1	1
7	7	7	7	5
3	4	5	4	4
1	1	1	1	1
3	3	3	2	2
6	6	6	7	7
3	3	4	4	4
18	14	15	15	14
7	7	7	7	7
2	2	2	2	3
3	3	3	3	1
16	17	17	14	15
2	2	2	2	2
-	-	-	-	-
11	11	11	11	8
1	1	2	2	2
1	1	1	1	1
2	2	2	2	2
19	19	18	19	22
16	16	16	16	17
12	12	11	12	12
3	3	3	3	3
<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<b><u>269</u></b>	<b><u>266</u></b>	<b><u>266</u></b>	<b><u>263</u></b>	<b><u>270</u></b>

**CITY OF MASON CITY, IOWA  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

<u>Function</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Police:					
Physical arrests	3,032	2,904	3,260	3,428	3,082
Parking violations	2,101	2,596	3,078	2,288	2,678
Traffic violations	2,675	3,497	3,497	5,210	5,366
Fire:					
Fire calls answered	676	609	811	795	839
Ambulance calls answered	4,962	5,068	4,528	4,430	4,434
Inspections	1,735	1,113	708	1,103	1,961
Highways and streets:					
Street resurfacing (miles)	-	0.79	1.20	1.63	0.37
Potholes repaired	5,550	5,300	6,000	5,900	5,500
Sanitation:					
Refuse collected (tons/day)	30.08	31.93	31.29	31.99	29.00
Recyclables collected (tons/day)	4.21	4.43	4.53	4.90	4.82
Culture and recreation:					
Aquatic Center admissions	35,799	32,791	31,199	37,817	42,811
Water:					
New connections	32	39	38	32	26
Water main breaks	8	11	33	11	21
Average daily consumption (thousands of gallons)	4,249	4,528	4,542	4,542	4,828
Wastewater:					
Average daily sewage treatment (thousands of gallons)	6,747	6,311	5,499	5,499	6,712

Source: Various city departments

*See Accompanying Independent Auditor's Report.*

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
2,779	2,295	4,129	3,049	3,373
4,432	4,161	5,885	7,560	4,328
5,311	2,043	3,117	5,952	6,502
793	731	762	766	746
4,057	3,755	3,912	4,032	4,138
1,690	1,411	1,216	1,025	600
2.68	2.40	2.60	3.04	5.59
5,400	5,300	5,000	5,000	5,000
31.94	32.60	27.50	32.52	32.09
4.84	4.86	5.50	5.50	5.50
42,179	33,616	39,074	39,726	51,751
31	15	21	3	15
17	17	11	10	11
5,300	5,324	5,865	5,673	5,784
6,810	6,689	6,658	7,421	7,040

**CITY OF MASON CITY, IOWA**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

<u>Function</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Public safety:					
Police stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Public works:					
Street miles:					
Paved	152.49	152.32	152.32	152.49	152.39
Unpaved	40.93	40.93	40.93	41.12	41.12
Street lights	1,770	1,770	1,768	1,767	1,765
Culture and recreation:					
Parks	41	41	41	41	41
Acreage	639	639	639	639	639
Playgrounds	12	12	12	12	12
Baseball/softball diamonds	12	12	12	12	12
Golf courses	1	1	1	1	1
Swimming pools	1	1	1	1	1
Tennis courts	7	7	7	7	7
Business-type activities:					
Sewer miles:					
Storm	49.35	49.01	48.46	48.46	48.46
Sanitary	164.99	164.57	164.57	164.57	164.57
Cemetery:					
Facilities	1	1	1	1	1
Acreage	74.12	74.12	74.12	74.12	74.12

Source: Various city departments

*See Accompanying Independent Auditor's Report.*

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
1	1	1	1	1
1	1	1	1	1
152.33	152.33	152.06	151.93	151.93
41.12	41.12	41.12	41.12	41.12
1,761	1,761	1,760	1,760	1,760
41	41	41	41	41
639	639	639	639	639
12	12	12	12	12
12	12	12	12	12
1	1	1	1	1
1	1	1	1	1
7	7	7	7	7
48.13	48.13	47.95	47.95	47.95
164.53	164.53	164.31	164.31	160.92
1	1	1	1	1
74.12	74.12	74.12	74.12	74.12



**COMPLIANCE  
SECTION**



Kronlage & Olson, P.C.

Certified Public Accountants

Douglas E. Kronlage, CPA  
John C. Olson, CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of Mason City, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Mason City, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the City of Mason City, Iowa's basic financial statements and have issued our report thereon dated January 23, 2017.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the City of Mason City, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Mason City, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Mason City, Iowa's internal control.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses, 2016-001 and 2016-002.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mason City, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that is required to be reported under *Government Auditing Standards*. However, we noted certain instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City of Mason City, Iowa's Response to Findings

The City of Mason City, Iowa's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Mason City, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Mason City, Iowa, during the course of our audit.

*Kronlage & Olson, P.C.*

Charles City, Iowa

January 23, 2017



Kronlage & Olson, P.C.

Certified Public Accountants

Douglas E. Kronlage, CPA  
John C. Olson, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and  
Members of the City Council  
City of Mason City, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited the City of Mason City, Iowa's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City of Mason City, Iowa's major federal programs for the year ended June 30, 2016. The City of Mason City, Iowa's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Mason City, Iowa's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about the City of Mason City, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Mason City, Iowa's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City of Mason City, Iowa, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control over Compliance

Management of the City of Mason City, Iowa is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Mason City, Iowa's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Mason City, Iowa's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-003, that we consider to be a material weakness.

The City of Mason City, Iowa's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Mason City, Iowa's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Kronlage & Olson, P.C.*

Charles City, Iowa

January 23, 2017

CITY OF MASON CITY, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
<b>DIRECT:</b>			
<u>Department of Justice</u>			
Bullet Proof Vest Program	16.607	2014	\$ 2,122
<u>Department of Transportation</u>			
Airport Improvement Program	20.106	3-19-0059-40-2013	\$ -
Airport Improvement Program	20.106	3-19-0059-38-2014	46,062
Airport Improvement Program	20.106	3-19-0059-41-2015	896,966
Airport Improvement Program	20.106	3-19-0059-42-2016	-
Passenger Facility Charge			9,188
Total			<u>\$952,216</u>
<u>Department of Homeland Security</u>			
Assistance to Fire Fighters	97.944	EMW-2013-FO-06768	\$ -
Total direct			<u>\$954,339</u>

(continued)

**CITY OF MASON CITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2016**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
<b>INDIRECT:</b>			
Department of Housing and Urban Development:			
<u>Iowa Department of Economic Development</u>			
Community Development Block Grant/ State Program			
100% Flood and Demolition Buyout	14.228	08-DRHB-226	\$       -
Section 106 Planning Grant	14.228	08-DRI106-202	4,145
Owner Occupied Housing Rehab	14.228	15-HSG-002	5,379
Hazard Mitigation Grant Program Match for Property Acquisition			
Flood Buyout #1	14.228	08-DRMH-231	-
Flood Buyout #3	14.228	08-DRMH-247	-
Flood Buyout #4	14.228	08-DRMH-237	-
Total			<u>\$   9,524</u>
Department of Justice:			
<u>Governor's Office of Drug Control Policy</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-JAG-113152	\$ 15,494
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12-JAG-77764	-
Total			<u>\$ 15,494</u>
<u>Iowa Department of Justice</u>			
Federal Violence Against Women Formula Grant	16.588	VW-14-66-CJ	\$ 38,239
Federal Violence Against Women Formula Grant	16.588	VW-15-66	2,577
Total			<u>\$ 40,817</u>
Total			<u>\$ 56,311</u>
Department of the Interior:			
<u>State Historical Society of Iowa</u>			
Historic Preservation Fund Grants-in-aid	15.904	2015-08	<u>\$   7,700</u>

(continued)

CITY OF MASON CITY, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
<b>INDIRECT:</b>			
Department of Transportation:			
<u>Iowa Department of Transportation</u>			
Highway Planning and Construction			
Sixth Street Resurfacing	20.205	STP-U-4822 (631)-70-17	\$ -
Federal Aid Agreement- Monroe Avenue Trail	20.205	STP-E-4822 (632)-8V-17	-
Formula Grants for Other than Urbanized Areas			
Operating Assistance	20.509	18-0031-482-15	-
Operating Assistance	20.509	18-0030-482-16	786,666
Bus and Bus Facilities Formula Program			
Capital Assistance	20.526	34-0003-482-14	84,855
Capital Assistance	20.526	34-0003-482-13	83,987
Total			<u>\$955,508</u>
<u>Iowa Department of Public Safety</u>			
Governor's Traffic Safety Bureau			
State and Community Highway Safety			
Police Traffic Services	20.600	PAP-15-402	<u>\$ 4,147</u>
National Endowment for the Arts:			
<u>Iowa Arts Council</u>			
Promotion of the Arts - Partnership			
Agreements			
Promotion of the Arts	45.025	201606-163	\$ 10,000
Cultural Leadership	45.025	201606-02	5,000
Total			<u>\$ 15,000</u>
Department of Health and Human Services			
Projects of Regional and			
National Significance	93.243	1H79SM062812-01	<u>\$ 79,385</u>

(continued)



CITY OF MASON CITY, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
<b>INDIRECT:</b>			
Department of Homeland Security:			
Iowa Homeland Security and Emergency			
Management Division			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)			
Demolition Debris Removal	97.036	DR #1763-PW-9585	\$ 61,707
Demolition Debris Removal	97.036	DR #1763-PW-10529	-
Hazard Mitigation Grant			
22 <sup>nd</sup> Street	97.039	HMGP-DR-4126-0012-01	671,345
Flood Buyout #1	97.039	HMGP-DR-1763-0032-01	-
Flood Buyout #2	97.039	HMGP-DR-1763-0031-01	-
Flood Buyout #4	97.039	HMGP-DR-1763-0037-01	-
Flood Buyout #3	97.039	HMGP-DR-1763-0047-01	-
Assistance to Firefighters	97.044	EMW-2013-FO-06768	-
Total			<u>\$ 733,052</u>
Total indirect			<u>\$1,860,627</u>
Total expenditures of federal awards			<u><b>\$2,814,966</b></u>

*See Accompanying Independent Auditor's Report.*

CITY OF MASON CITY, IOWA  
SCHEDULE OF SELECTED EXPENDITURES OF STATE AWARDS  
YEAR ENDED JUNE 30, 2016

<u>Grantor/Program</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
<b>Iowa Department of Transportation:</b>		
Commercial Air Service Vertical Infrastructure Program:		
Airport Improvement Project	15279	\$ 9,732
Airport Improvement Project	15486	-
Airport Improvement Project	16607	88,505
Airport Improvement Project	17485	<u>41,000</u>
Total		<u>\$139,237</u>

*See Accompanying Independent Auditor's Report.*

**CITY OF MASON CITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2016**

**(1) General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Mason City, Iowa. The City of Mason City reporting entity is defined in Note 1 to the City's general purpose financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

**(2) Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 2 to the City's general purpose financial statements.

**(3) Relationship to General Purpose Financial Statements**

Federal financial assistance revenues are reported in the City's general purpose financial statements as follows:

	Operating Grants	Capital Grants	Loan Proceeds	Total
General Fund	\$840,478	\$1,196,015	\$ -	\$2,036,493
Special Revenue Funds:				
Housing	6,224	-	-	6,224
City Administered Grants	-	4,290	-	4,290
FMA	-	113,684	-	113,684
22 <sup>nd</sup> Street Buyout	-	570,644	-	570,644
	<u>\$846,702</u>	<u>\$1,884,633</u>	<u>\$ -</u>	<u>\$2,731,335</u>

**(4) Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

**CITY OF MASON CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

**Part I: Summary of the Independent Auditors' Results:**

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose any noncompliance which is material to the financial statements.
- (c) One material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (d) The audit disclosed one deficiency in internal control over a major federal program.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each of the City's major programs.
- (f) The audit disclosed no audit findings that are required to be reported in accordance with the Uniform Guidance Section 200.515.
- (g) The programs tested as the major programs are:
  - CFDA Number 20.106 - Airport Improvement Program
  - CFDA Number 20.509 - Formula Grants for other than Urbanized Areas
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NONCOMPLIANCE:**

There was no prior year or current year instances of noncompliance identified.

**MATERIAL WEAKNESSES:**

- 2016-001      Determination of Accounts and Contracts Payable - At the end of each fiscal year, the finance department determines the accounts and contracts payable that should be recognized in the City's financial statements. At June 30, 2016, they recognized over \$2,316,000 of accounts and contracts payable, including approximately \$34,400 (material to one opinion unit) incorrectly recorded as payables. However, they did not recognize an additional \$73,100 (material to three opinion units) of mostly contracts payable at June 30, 2016, with a net effect of \$38,700 on the financial statements (material to four opinion units).

**CITY OF MASON CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

**Part II: Findings Related to the Financial Statements:** (continued)

Recommendation -This is a significant improvement over the previous year. The finance department staff should be reminded by their supervisor of the requirements for an item to be recognized as a payable at the end of the year, paying close attention to contracts. We would suggest that a written process be developed to determine when a payable should be recognized in the financial statements. An alternative would be to use a flow-chart process. In addition, the supervisor needs to provide close direct supervision so that the auditors may maintain their independence by not being so closely involved in the initial determination of payables.

Response - We will be providing additional guidance to finance department staff and investigating the development of flow charts or materials to assist in determining the appropriate classification at year end. These additional materials will be added to the written documents already included as part of the processes.

Conclusion - Response accepted.

2016-002 Financial Statement Classification and Valuation - It was noted that the City's financial statements required a significant number of material adjusting journal entries to properly classify and value the financial statement amounts. A system of internal control includes the controls over the preparation of the financial statements.

Recommendation - There has been improvement in the initial determination of the financial statement classifications and amounts by the finance department. Additional instruction and supervision should be given by their direct supervisor. In addition, the finance supervisor should review work on a regular basis to determine the correct classification and valuation of amounts in the financial statements.

Response - We will be providing additional guidance and supervision to assist with financial statement preparation, including the proper classification and valuation

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards:**

*ALL GRANTS:*

2016-003 See items 2016-001 and 2016-002 above.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

SIGNIFICANT DEFICIENCIES:

NONE

**CITY OF MASON CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

**Part IV: Other Findings Related to Required Statutory Reporting:**

2016-004     Official Depositories - A resolution naming official depositories has been adopted by the City Council.

2016-005     Certified Budget - Disbursements before amendment exceeded amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies not be expended or encumbered except under an annual or continuing appropriation. Disbursements after amendment during the year ended June 30, 2016, did not exceed the amended amounts budgeted.

Recommendation - The budget should have been amended in accordance with Chapter 384.14 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - We will monitor expenses and amend the budget prior to exceeding the budget.

Conclusion - Response accepted.

2016-006     Questionable Disbursements - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

2016-007     Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2016-008     Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Keely Weiner, Youth Task Force - Newman Catholic Schools, Dean of Students		\$120
Craig MacDougall, Plumbing Appeals & Exam Board - Hank's Plumbing, Owner		261
Luis Garcia, N. IA Diversity Appreciation - Mr. Taco, Owner		350
Larry Elwood, Plumbing Appeals & Exam Board - Larry Elwood Construction, Owner		632
Mike Lashbrook, Housing Commission - City of Mason City, Police Chief		777
Mike McKelvey, Youth Task Force - City of Mason City, Police Captain		777

**CITY OF MASON CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

**Part IV: Other Findings Related to Required Statutory Reporting:** (continued)

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Matt Brick, Plumbing Appeals & Exam Board - Brick Furniture, Owner		799
Tony Johnson, Plumbing Appeals & Exam Board - Johnson Heating/AC, President		1,096
Steve Clausen, Plumbing Appeals & Exam Board - Clausen Plumbing, Owner		2,089
Robin Anderson, Youth Task Force - Mason City Chamber of Commerce, Director		4,158
Les Seltun, N IA Diversity Appreciation - Control Print Creative, Owner		8,749
Liz Conley, Youth Task Force - YMCA, Director		9,823
Dan Varnum, N IA Corridor Economics Development - Mercy Medical Center, N IA, President, CEO		10,110
Scott Smed, Historic Preservation Commission - Bergland & Cram, Partner		15,030
Jay Leaman, Electrical Examiners & Appeals - The Electricians, Owner		18,466
Mark Ewy, Housing Advisory & Appeals - Custom Auto Body, Owner/Self Employed		19,594
Ed Wineinger, Building Advisory & Appeals - Waggoner & Wineinger Architects, Owner		19,809
Tom Douglas, Housing Advisory & Appeals - Edwards Brandt Insurance & Realty, Partial Owner		22,704
Colleen Devine, N IA Diversity Appreciation - Mainstreet Mason City, Interim Executive Director		30,095
Cheryl Hubbard, Building Advisory & Appeals - Henkel Construction, Construction Project Manager		43,062

**CITY OF MASON CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

**Part IV: Other Findings Related to Required Statutory Reporting:** (continued)

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Alex Kuhn, City Council Member - Henkel Construction, Business Development Representative		43,062
Dennis Reidel, Library Board - Overhead Door of Mason City, President, CEO, CFO		50,947
Brian Perkins, N IA Corridor Economics - MetalCraft, Controller		65,138
James Miller, Environmental & Sustainability - MetalCraft, VP of Engineering		65,138
Doug Wiltsie, Electrical Examiners & Appeals - Blazek Electric, Vice President		79,670
Walter Wendland, MacNider Museum Board - Golden Grain Energy, President/CEO		490,480

In accordance with Chapter 362.5(10) of the Code of Iowa, the first eight transactions do not appear to represent a conflict of interest since the transactions were less than \$1,500 during the fiscal year.

All or significant amounts of the payments to Blazek Electric, Metalcraft, Overhead Door of Mason City, Waggoner & Wineinger Architects, Henkel Construction and Golden Grain Energy were competitively bid, or part of a development agreement and, therefore, do not represent a conflict of interest. The remaining items may represent conflicts of interest. The City should consult legal counsel to determine the disposition of this matter.

Response - We will do this.

Conclusion - Response accepted.



**CITY OF MASON CITY, IOWA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

**Part IV: Other Findings Related to Required Statutory Reporting:** (continued)

- 2016-009     Related Party Purchase Discrepancies - City purchasing policy requires department heads to obtain competitive bids (to include publication of a request for bids, description of the item being sought and a public opening and award of bids) for all annual cumulative purchase from a City employee, official or member of a board or commission exceeding \$1,500. Department heads are not aware of this policy and are not complying with the policy.
- Recommendation - The policy should be reviewed to determine if this is the policy that the City actually wishes to enforce. The policy requires department heads to know the extent of purchases from a related party and would essentially require publication and taking of bids for purchases of minimal amounts.
- Response - We are presently reviewing the policy to determine the extent of restrictions desired by the council.
- Conclusion - Response accepted.
- 2016-010     Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 2016-011     Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- 2016-012     Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF MASON CITY, IOWA  
 Corrective Action Plan for Federal Audit Findings  
 Year Ended June 30, 2016

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Planned</u>	<u>Contact Person Title, Phone Number</u>	<u>Anticipated Date of Completion</u>
2016-001	Determination of accounts and contracts payable	We will provide a written process for the staff to follow in addition to providing increased personal supervision.	Kevin Jacobson Director of Finance 641-421-3613	June 30, 2017
2016-002	Financial statement classification and valuation	We will provide additional guidance and supervision to the finance department staff.	Kevin Jacobson Director of Finance 641-421-3613	June 30, 2017
2016-003	See items 2016-001 and 2016-002 above			

CITY OF MASON CITY, IOWA  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2016

**FINANCIAL STATEMENTS**

**Finding 2015-001: Determination of Accounts and Contracts Payable**

Condition - Material amounts of accounts and contracts payable were not being properly recognized.

Recommendation - Additional instructions and processes should be developed to assist in arriving at a materially correct number for these items.

Current Status - Progress has been made with this process, but additional supervision and instruction is needed to arrive at materially correct payable items.

**Finding 2015-002: Financial Statement Classification and Valuation**

Condition - Material adjusting journal entries were required to properly classify and value financial statement amounts.

Recommendation - Additional instruction and supervision by the Director of Finance would reduce the number and amount of misstatements.

Current Status - Additional oversight was provided this year, but additional supervision and oversight is required.

**Finding 2015-003: Financial Statement Findings**

See items 2015-001 and 2015-002 above.